

To: Councillor Williams (Chair)  
Councillors G Dennis, Edwards, Emberson,  
Gittings, Mitchell, Terry and Thompson

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16 January 2023

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

**NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE 24 JANUARY 2023**

A meeting of the Audit and Governance Committee will be held on Tuesday, 24 January 2023 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 OF THE PREVIOUS MEETING HELD ON 28 SEPTEMBER 2022		5 - 12
3. QUESTIONS		
4. INTERNAL AUDIT QUARTERLY PROGRESS REPORT		13 - 60
This report provides an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report.		
5. CORPORATE PEER CHALLENGE - REPORT AND ACTION PLAN	BOROUGH WIDE	61 - 96
This report includes the detailed report setting out the findings and recommendations from the Local Government Association Corporate Peer Challenge and the Action Plan developed in response.		
6. STRATEGIC RISK REGISTER QUARTER 3 2022/23	BOROUGH WIDE	97 - 112
This report provides the Committee with an update of the Strategic Risk Register for Quarter 3 of 2022/23.		

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<b>7.</b>	<b>IMPLEMENTATION OF THE NEW FINANCE SYSTEM - PROGRESS UPDATE</b>	<b>BOROUGH WIDE</b>	<b>113 - 116</b>
	<p>This report provides the latest update on progress with the implementation of the new finance system which is due to go live in April 2023.</p>		
<b>8.</b>	<b>TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW 2022/23</b>	<b>BOROUGH WIDE</b>	<b>117 - 132</b>
	<p>This report provides an update on the activity of the Treasury Management function during the first half of the year for the period 1<sup>st</sup> April 2022 to 30<sup>th</sup> September 2022.</p>		
<b>9.</b>	<b>2022/23 QUARTER 2 PERFORMANCE &amp; MONITORING REPORT</b>	<b>BOROUGH WIDE</b>	<b>133 - 182</b>
	<p>This report sets out the projected revenue and capital outturn positions for 2022/23 for both the General Fund and the Housing Revenue Accounts as at the end of Quarter 2 (September 2022). The report also sets out performance against the measures of success published in the Council's Corporate Plan.</p>		
<b>10.</b>	<b>INFORMATION GOVERNANCE QUARTERLY UPDATE</b>	<b>BOROUGH WIDE</b>	<b>183 - 190</b>
	<p>This report provides an update on the actions in progress to improve the Council's policies, systems and processes around Information Governance.</p>		
<b>11.</b>	<b>IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER</b>	<b>BOROUGH WIDE</b>	<b>191 - 206</b>
	<p>This report sets out a summary of those high and medium risk Internal Audit recommendations which remain outstanding together with an updated management response.</p>		
<b>12.</b>	<b>CLOSING FINANCIAL ACCOUNTS UPDATE</b>	<b>BOROUGH WIDE</b>	<b>207 - 212</b>
	<p>This report provides an update with progress on completion of the audit of the Council's Final Accounts for 2019/20, 2020/21 and preparation for the 2021/22 accounts. The report will be considered alongside EY's External Audit Update report also on tonight's agenda. The report also confirms that KPMG will be the Council's new External Auditor for five years covering the 2023/24 to 2027/28 Statements of Account.</p>		
<b>13.</b>	<b>EXTERNAL AUDITOR UPDATE</b>	<b>BOROUGH WIDE</b>	<b>213 - 266</b>
	<p>The Council's External Auditor EY will provide an update on the 2019/20 audit process and present their 2020/21 External Audit Plan.</p>		

<b>14.</b>	<b>HOUSING BENEFIT &amp; COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2023/24</b>	<b>BOROUGH WIDE</b>	<b>267 - 270</b>
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This report proposes the continued use of the Council’s Risk Based Verification (RBV) process in 2023/24.

**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”

<b>16.</b>	<b>HOUSING BENEFIT &amp; COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2023/24 - APPENDICES</b>	<b>BOROUGH WIDE</b>	<b>271 - 276</b>
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**Present:** Councillor Williams (Chair); G Dennis (Vice-Chair), Edwards, Emberson, Gittings, Mitchell, Terry and Thompson

### 14. MINUTES OF THE PREVIOUS MEETING HELD ON 19 JULY 2022

The Minutes of the meeting of 19 July 2022 were confirmed as a correct record and signed by the Chair.

### 15. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on the key findings emanating from the Internal Audit reports issued for the period 1 July to 30 September 2022. The report provided a summary of the findings following each audit review, summarised the recommendations and management actions that had been put forward for each area and stated the overall assurance opinion level given by the Internal Audit team. A total of five audit reviews were finalised in the period with four receiving a positive opinion and one receiving a negative opinion. The specific areas looked at were:

- Waste Management Operations (Substantial Assurance opinion given);
- Rent Accounting (Reasonable Assurance opinion given);
- Compliance with the Local Government Transparency Code (Reasonable Assurance opinion given);
- Compliance with the Freedom of Information Act (Reasonable Assurance opinion given) and
- Deferred Payments (Limited Assurance opinion given).

In relation to Deferred Payment Agreements (DPA), which enabled people to use the value of their homes to help pay for care home costs, it was found that communication and coordination between services in Adult Social Care and Legal Services needed to be improved. Deferred payment applications had been either progressed as a solicitor's undertaking or remained as an unsecured interim funding arrangement, creating a risk of carrying higher levels of unsecured debt than necessary because applications were not being processed promptly. There were arrangements in place to monitor the recovery status of these debts by the Social Care Debt Monitoring Group, although further emphasis to include interim funding arrangements and solicitor undertaking cases would be desirable to enable a fuller analysis of the DPA position.

The report also detailed the audits that were currently in progress and gave a summary of investigations work between 1 July to 30 September 2022.

**Resolved:** That the audit findings be noted, and the recommendations and management action underway, as set out in the Internal Audit & Investigations Quarter 2 Update Report, be endorsed.

### 16. INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

## AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 28 SEPTEMBER 2022

Paul Harrington, Chief Auditor, presented a report following an external quality assessment of the Council's Internal Audit team to check conformance with Public Sector Internal Audit Standards (PSIAS).

The report explained that the Standards required that an assessment carried out at least once every 5 years. The report outlined the findings of the external quality assessment which was carried out by the Chartered Institute of Public Finance and Accountancy (CIPFA). A copy of CIPFA's Final Report was attached to the report at Appendix A.

The report explained that the review was carried out in April 2022 and involved a series of interviews with members of the Internal Audit team, key officers within the Council and BfC and with members of RBC's and BfC's Audit Committees, together with a review of key documents.

The report highlighted the Assessor's conclusion that: no areas of non-compliance with the standards had been identified, nor had any significant areas of partial non-compliance been identified, that would affect the overall scope or operation of the internal audit activity. The Assessor had also said that: "Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice but is itself a good example of best practice in local government internal audit".

The report noted the Assessor's comments regarding the local shortage of qualified auditors and the difficulties faced by the team in attracting qualified and experienced staff. The report highlighted the need for workforce and succession planning to mitigate the risk of losing mature and experienced staff in the short to medium term.

**Resolved:** That the outcome of CIPFA's external quality assessment of the Internal Audit team be noted.

### 17. STRATEGIC RISK REGISTER Q1 & Q2 2022/23

Robin Pringle, Health, Safety & Risk Management Lead, presented a report outlining the Q1 and Q2 updates to the Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. A copy of the SRR was attached to the report at Appendix 1.

The report explained that, following endorsement by the Committee on 19 July 2022 (Minute 6 refers) and approval by Policy Committee on 21 September 2022 (Minute 29 refers), the Risk Management Policy and Procedure document had been updated to bring it in line with best practice and to incorporate a formal Risk Management Procedure.

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 15 risks. 11 were rated 'amber' and four were rated 'red'. Those rated red were:

- Cyber - Risk of loss from cyber attack;
- Failure to deliver zero carbon commitments;
- High risk of homelessness within the new Ukrainian arrivals due to unmet future housing needs;
- Unable to achieve the budget savings, manage costs, as a result of cost of living increases and achieving income targets.

The report also identified several emerging risks that were not currently on the SRR. In the in the main these emerging risks were being caused by global and UK economic pressures, the cost-of-living crisis, inflation and price rises, and the impacts of the war in Ukraine. Changes required due to the impending introduction new 'Protect Duty' legislation were also identified. The report noted that all emerging risks were being monitored closely with mitigating actions being put forward.

**Resolved:** That the Council's Strategic Risk Register, as at the end of Q2 (September 2022), be noted.

#### **18. IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - UPDATE REPORT**

The item was deferred to the next meeting of the Committee on 24 January 2023 to allow more time for the papers to be prepared.

**Resolved:** That the item be deferred to the next meeting on 24 January 2023.

#### **19. ANNUAL GOVERNANCE STATEMENT 2021/22**

Michael Graham, Assistant Director of Legal & Democratic Services, submitted a report setting out the updated action plan for the 2021/22 Annual Governance Statement (AGS), which was attached to the report at Appendix 1.

The report explained that 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.

The report explained that, to support of the Annual Governance Statement, each directorate had completed a Directorate Governance Statement in relation to systems

and processes operational within their areas during the year. These were signed off by the relevant Director. The Directorate Statements demonstrated that Directorates had evaluated and assessed their internal control environment.

### Resolved:

- (1) That the Annual Governance Statement for 2021/22 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.

## 20. INFORMATION GOVERNANCE QUARTERLY UPDATE

Michael Graham, Assistant Director of Legal & Democratic Services, presented 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 the work done to improve Data Transparency. It noted that several relevant sources of information and data had been identified and that a Transparency Code page had been added to the Council's website. A process for reviewing and publishing the required information had also been implemented with the Information Governance Board to receiving quarterly updates.

The report also updated on the work done to improve the management of Freedom of Information (FOI) requests. This included the Quarter 1 statistics for the number of FOI requests received by each directorate, along with percentages for the number answered within timescale. It was noted during the meeting that an error had been made calculating the figures published in the report and that the Total % in paragraph 4.8 should be 63.0% not 58.1%. Notwithstanding the discrepancy it was noted that, whilst several measures had been introduced with the aim of improving FOI performance, performance across the Council remained disappointingly low and was still well below the 90% answered within 20 working days required by the Information Commissioner.

The report further explained that the Customer Relations and Information Governance Service had embarked on a plan of working directly with services to improve FOI response timescales across the Council and BfC. The service had updated the Council's FOI policy and procedures which would be published on a dedicated FOI intranet page. It was noted that an action plan for working with services had been approved and would be implemented during the Autumn. This included a communications plan for both RBC and BfC. Further feedback on progress and performance relating to FOI requests would be provided at the next meeting on 24 January 2023.

The report also provided an update on the progress made towards clearing the backlog of Subject Access Requests; an outline of the work done by Council's Information Governance Board; an update on the Council's Information Management Strategy and Action Plan and an update on the progress made relating to Cyber Security and Information Governance training for staff.

**Resolved:** That the progress being made to improve the Council's Information Governance be noted and the future actions outlined in the report be endorsed.

## 21. QUARTER 1 PERFORMANCE REPORT (2022/23)

Darren Carter, Director of Finance, submitted a report, which had been considered by Policy Committee on 21 September 2022 (Minute 30 refers) setting out the projected revenue and capital outturn positions for 2022/23 for both the General Fund and the Housing Revenue Accounts as at the end of June 2022 (Quarter 1). The report also summarised performance against the measures of success published in the Council's Corporate Plan. The following documents were attached to the report:

- Appendix 1 - Financial Monitoring for Quarter 1;
- Appendix 2 - Capital Programme for Quarter 1;
- Appendix 3 - Corporate Plan Measures for Quarter 1;
- Appendix 4 - Corporate Plan Projects for Quarter 1;
- Appendix 5 - Debt Write-Offs (exempt information).

The report noted that the forecast General Fund (GF) revenue outturn position at the end of Quarter 1 included a projected adverse net variance on service expenditure of £4.058m. This variance was offset by a projected £4.616m positive net variance on Corporate budgets, of which £3.627m related to the unallocated Corporate Contingency, resulting in a projected overall positive net variance of £0.558m. The forecast adverse variance on services included net pressures totalling £0.564m within Adult Care and Health Services relating to care cost pressures; £1.669m within Economic Growth and Neighbourhood Services, primarily relating to ongoing income shortfalls in Car Parking and Planning as an ongoing impact of Covid-19; £1.761m within Brighter Futures for Children (BFfC), relating to pay, inflation and demand pressures; and a total £0.064m across Resources and Chief Executive Services relating to income pressures. Detailed explanations for these variances were set out in the report.

The report explained that the service budget pressures were offset by positive net variances within Corporate Budgets, specifically £1.713m on Capital Financing Costs as a result of the 2021/22 Capital Programme outturn position and £3.627m on Corporate Contingencies. Other Corporate Budgets were forecasting an adverse net variance of £0.724m. This was primarily due to a current forecast pressure of £0.934m relating to the 2022/23 pay award. A pay award of 2% was assumed as part of 2022/23 budget setting with additional contingency retained corporately to fund a pay award up to 4%. The pay offer made in July 2022 was estimated to cost an additional £1.434m above the amount budgeted (including the contingency) across the Council and BFfC. BFfC had included a forecast pressure of £0.500m in their forecast which was prior to the pay award offer announced in July, therefore the difference of £0.934m was included within the Corporate forecast.

The report stated that £1.570m (15%) of budgeted savings had been delivered to date in this financial year, with a further £5.415m (53%) of savings on track to be delivered by

March 2023. £2.061m (20%) of savings were currently categorised as non-deliverable (red) and £1.178m (12%) categorised as at risk of delivery. There was therefore a potential impact on the 2023/24 budget should these savings not be deliverable on a recurring basis. These savings would be reviewed as part of the 2023/24 budget setting and 2023/24-2025/26 Medium Term Financial Strategy processes.

The report also explained that the Housing Revenue Account (HRA) was projecting a positive net variance of £2.505m as at the end of Quarter 1, which resulted in a forecast contribution to HRA reserves of £0.422m. The General Fund Capital Programme was forecast to spend to budget against a revised budget of £115.980m in 2022/23, and the HRA Capital Programme was forecast to spend to budget against a revised budget of £30.502m 2022/23.

The meeting discussed the necessity of the Quarterly Performance Report being submitted to both the Policy Committee and the Audit & Governance Committee within a very short space of time. The Chair undertook to liaise further with officers and Members of the Committee regarding the matter.

**Resolved:** That the 2022/23 Quarter 1 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 21 September 2022 be noted.

## 22. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Darren Carter presented a report setting out progress with the Implementation of Audit Recommendations. A copy of the Implementation of Audit Recommendations Tracker for September 2022 was attached to the report at Appendix 1.

The report explained that each recommendation set out in Appendix 1 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 tracker now had 91 high and medium risk recommendations from Internal Audit, of which 29 (31.9%) were currently green but not complete, 42 (46.2%) were amber and 15 (16.5%) were red. Five recommendations had now been completed and would be removed from the next report and 13 recommendations had been added to the tracker since the last report.

It was noted that, following the request made by Councillors at the last Committee, an additional column had been added to the tracker to show the original implementation date for each audit recommendation. Inclusion of this additional information had highlighted the need to review the rating for each recommendation as it appeared that, in some instances, ratings had not been applied consistently and in accordance with the stated policy.

**Resolved:**

## AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 28 SEPTEMBER 2022

- (1) 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.
- (2) That a review of the tracker be conducted to check and amend any incorrectly rated recommendations.

### 23. CLOSING FINANCIAL ACCOUNTS UPDATE

Mark Sanders, Chief Accountant, submitted a report on the progress made towards the completion of the audit of the Council's Final Accounts for 2019/20 and the preparation for the 2020/21 and 2021/22 accounts.

The report outlined the progress made by both the Council's Finance team and the External Auditor's (Ernst & Young's) team since the last meeting. The report explained that increased resources had been allocated to complete residual work on the 2019/20 accounts and to begin the audit of the 2020/21 accounts. The goal being to bring the whole accounts process up to date.

In relation to the 2019-20 accounts, it was noted that all information and explanations had been provided to the External Auditor (EY) who are now in the final stages of presentational adjustments had been made to the draft accounts to ensure the accounts were of a suitable audit quality. Where relevant appropriate adjustments had also been made to later years' accounts in a bid to improve efficiency during future years' audits.

At the meeting Mark Sanders updated the Committee that, as of 27 September 2022, the Statement of Accounts for 2020-21 had been published on the Council's website for statutory public inspection. The report explained that the external audit of the 2020/21 accounts had commenced at the start of August 2022 and regular meetings had been taking place with EY to track progress and to ensure that audit requests were being met.

The report explained that the first stage in the production of the 2021/22 accounts had been completed following the closure of the annual management accounts and the receipt of asset and pension valuations from external advisors. Although the focus had been on the 2020/21 process, many of the working papers for both 2020/21 and 2021/22 financial years were being prepared and reviewed concurrently. The intention being for the 2021/22 Statement of Accounts to be made available for public inspection in January 2023 to coincide with the external audit work commencing, subject to agreement with EY.

The report included a timetable which included estimated completion dates for the various stages of the audit process for the 2019/20, 2020/21 and 2021/22 accounts. The report confirmed the plan to bring the accounts process back up to date with the 2022/23 accounts process concluding in September 2023. This would be dependent on the incremental successful approval of each year's accounts and on resources being available to both Council and EY staff.

**Resolved:** The Committee noted the progress made on the audit of the accounts for 2019/20, and the preparation for following years' 2020/21 and 2021/22 accounts.

#### **24. DRAFT AUDIT RESULTS REPORT**

Adrian Balmer and Maria Grindley from Ernst & Young presented the External Auditor's Draft Audit Results Report for 2019-20. The draft report summarised the External Auditor's preliminary audit conclusions in relation to their audit of Reading Borough Council and Group for the 2019/20 financial year.

**Resolved:** That the content of the Draft Audit Results Report for 2019-20 be noted.

(The meeting closed at 7.33 pm)

**READING BOROUGH COUNCIL  
DIRECTOR OF FINANCE**

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	24 January 2023		
<b>TITLE:</b>	<b>INTERNAL AUDIT QUARTERLY UPDATE REPORT</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE SERVICES &amp; RESOURCES</b>
<b>SERVICE:</b>	<b>AUDIT &amp; INVESTIGATIONS</b>	<b>WARDS:</b>	<b>N/A</b>
<b>LEAD OFFICER:</b>	<b>PAUL HARRINGTON</b>	<b>TEL:</b>	<b>9372695</b>
<b>JOB TITLE:</b>	<b>CHIEF AUDITOR</b>	<b>E-MAIL:</b>	<a href="mailto:Paul.Harrington@reading.gov.uk">Paul.Harrington@reading.gov.uk</a>

**1. PURPOSE OF REPORT**

- 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 2022/2023 financial year.
- 1.2 The following document is appended:
  - Appendix 1 - Internal Audit & Investigations update report
  - Appendix 2 - Deputies and Appointees 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 finalised in the period between October and December 2022, with three receiving a positive opinion and one receiving a negative opinion. In addition, three grants were certified to confirm they had met the conditions of the grant determination.
- 3.3 **Substantial Assurance Opinion Reviews**
  - 3.3.1 N/A

### 3.4 Reasonable Assurance Opinion Reviews

- 3.4.1 A review of the various **Salary Sacrifice Schemes** on offer to staff, confirmed that these are government approved schemes that are facilitated through a provider on behalf of the Council. Oversight and challenge were found to be satisfactory, supported by independent external advice. Payroll deductions could be substantiated and had been correctly made in accordance with the payment mandate.
- 3.4.2 Whilst there are areas where improvements could be made, we concluded that the **re3 waste PFI** is well controlled and managed. The Joint Waste Agreement provides clear formulae and processes for allocating and charging costs. We are satisfied that the control framework supporting the financial and operational records are complete and accurate and that the processes in place are sufficiently robust.
- 3.4.3 A follow up review of **Purchase Cards** revealed that good progress has been made in implementing historic internal audit recommendations, however two recommendations were reported as not implemented. However, given the positive progress a positive opinion can now be given.

### 3.5 Limited Assurance Opinion Reviews

- 3.5.1 An audit of the **Deputy's team** concluded that there was a poor control framework in relation to the transfer of clients' funds from private to RBC designated deputy and appointee bank accounts and a high volume of manual processes.

### 3.6 No Assurance Opinion Reviews

- 3.6.1 N/A

### 3.7 Consultancy work

- 3.7.1 The definition of Internal Audit outlines the scope of the Internal Audit function which is not limited to assurance but includes a consultancy activity. Internal Audit's purpose is to be the 'critical' friend by questioning process and controls within the outturn of these groups. With this in mind the Internal Audit function is currently involved in a number of boards/groups across the Council, including:
- SharePoint Strategy and Data Migration Group. - To ensure that only required information is migrated to SharePoint sites by identifying owners of information to be migrated to SharePoint and the structures within it.

- Office 365 realisation Project - involved in the promotion of Office 365 and cascading key messages and functionality. Being the conduit between the end user and project team.
- Information Governance Board – reviewing and providing advice on IT policies and information governance policies and procedures.
- Finance Transformation and Systems Board - attended by the Chief Auditor.
- Finance System design workshops - Internal audit have participated in the design workshops for the new finance system covering General Ledger, Accounts Payable, Purchase to Pay (these two have now merged) and Accounts Receivable.

### 3.8 Resources

- 3.8.1 Resources have remained stretched over the past few months and whilst long term sick leave has now ended, following the retirement of a member of staff and the phased return to work of another, there has been one vacancy in the team over the past 4 months.

### 3.9 Investigations

- 3.9.1 The Corporate Investigations Team (CIT) has referred several cases for financial reviews from 49 Council Tax Support investigations completed, where a discount was removed from the current account.
- 3.9.2 Since April 2022, we have received a total of 8 misuse referrals, all of which were investigated. 1 case was successfully prosecuted in April 2022, and 5 cases have been sent a formal warning letter and the remaining cases under ongoing investigation.
- 3.9.3 Officers have commenced investigation into several referrals of tenancy fraud, with 19 cases ongoing and since April 2022 and 3 properties having been returned. The team has also assisted in the return to stock of 2 Registered Social housing landlords' properties.
- 3.9.4 There is one ongoing direct payment investigation (Adults) currently in progress which is linked to potential money laundering offences. In a separate case CIT are working with RBC legal services to recover £16k in misused monies linked to an ongoing investigation into direct payment fraud.
- 3.9.5 CIT have been working with the Finance and Assessment Team (FAB) and Adult Social Care (ASC) in reviewing five direct payment cases to ensure monies are being spent in accordance with the care plans and £51k out of a potential £97.5k had been recouped. As a result, a further 20 clients' accounts were reviewed. CIT found that 14 out of 20 accounts reviewed were shown to have significant surplus balances above £3,000. 8 of the 14

accounts had surplus balances above £9,000 and 3 had surplus balances in excess of £14,000. ASC is looking to recoup approximately £133,730. It is important to note is that none of these cases were found to involve fraudulent activity.

### **3.10 National Fraud Initiative**

3.10.1 The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

3.10.2 Providing data is a mandatory requirement, required by law<sup>1</sup>, with the following datasets required; payroll, pensions, trade creditors' payment history and trade creditors' standing data, housing (current tenants) and right to buy, housing waiting lists, housing benefits (provided by the DWP), council tax reduction scheme, council tax (required annually), electoral register (required annually), students eligible for a loan (provided by the SLC), transport passes and permits (including residents' parking, blue badges and concessionary travel) and licences - taxi driver.

3.10.3 As the key contact for the NFI, internal audit has been coordinating and monitoring the upload of data submissions, ensuring that the data formats guidance and data specifications are followed. All data was provided within the statutory timeframes.

3.10.4 Data matches will be available from the end of January 2023, when we will nominate appropriate users to investigate the matches, ensuring that outcomes from the investigation of matches are recorded on the web application promptly and accurately.

3.10.5 External auditors use the output from the exercise to help them assess the arrangements that audited bodies have in place to prevent and detect fraud.

## **7. CONTRIBUTION TO STRATEGIC AIMS**

7.1 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.

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<sup>1</sup> Under Part 6 of the Local Audit and Accountability Act 2014 (England), Part 2A of the Public Finance and Accountability (Scotland) Act 2000, Part 3A of the Public Audit (Wales) Act 2004, Articles 4A to 4G of the Audit and Accountability (Northern Ireland) Order 2003.

## **8. COMMUNITY ENGAGEMENT AND INFORMATION**

8.1 N/A

## **9. LEGAL IMPLICATIONS**

9.1.1 Legislation dictates the objectives and purpose of Internal Audit the requirement for an Internal Audit function is either explicit or implied in the relevant local government legislation.

9.1.2 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.

9.1.3 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”.

## **9. FINANCIAL IMPLICATIONS**

9.1 N/A

## **10. BACKGROUND PAPERS**

10.1 N/A

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# **Appendix 1**

## **Internal Audit & Investigations**

### **Quarterly Update Report Q3**

## 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 2022/2023 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

	Recs			Assurance	
2.1	Salary Sacrifice Schemes	0	2	4	Reasonable

- 2.1.1 The purpose of a salary sacrifice scheme is to allow employees to exchange a part of their salary for a non-cash benefit from their employer. Employees pay for the benefit from gross salary, which means that the employee does not pay tax and National Insurance on the part of the salary that has been sacrificed. This also means that the Council does not pay Employer's National Insurance contributions on the part of the salary that has been sacrificed by employees.
- 2.1.2 HM Revenue and Customs has provided guidance for employers on setting up salary sacrifice arrangements for calculating statutory deductions. HMRC have advised that schemes will be categorised as either 'successful' or 'unsuccessful' when determining if there is a taxation liability upon the employer. In 2022/23, Council employees are offered access to five salary sacrifice schemes, Additional Voluntary Contribution (pension), Car Leasing, Bicycle Voucher, Workplace Nursery and Childcare Vouchers (this scheme was not examined)
- 2.1.3 It should be noted that these are government-approved schemes that are facilitated through a provider on behalf of the Council. The agreement should be to set out the responsibilities of the Council as the employer, the employee, and the scheme provider. The technical rules governing salary sacrifice schemes are complicated and require professional guidance to ensure neither the employer, nor employee are liable for unpaid statutory deductions or penalties following an HMRC review.
- 2.1.4 We are satisfied that a signed agreement was held and that these are being renewed at the end of each agreement's duration term, although we have recommended that any income tax risk and potential tax implications are fully reviewed and approved, with evidence retained. We have specifically advised that the Council, as the employer, confirms that the car lease, bicycle, and workplace schemes have the same HMRC clearance which was provided for the pension Additional Voluntary Contribution (AVC) scheme. This may simply involve obtaining the same assurances from PSTAX<sup>1</sup>. We also recommended that these assurances are formalised in writing as part of the service agreement.

<sup>1</sup> PSTAX provides Tax advice and consultancy services to local authorities

2.1.5 We are satisfied that the payroll deductions could be substantiated and had been correctly made in accordance with the payment mandate. The employee should be checking their payroll deductions and the provider should be reconciling the payments they have received from the Council against the employee’s private service plan in the scheme.

	Recs			Assurance
2.2 Deputyship and Appointeeship	5	3	3	Limited

2.2.1 The purpose of the audit was to review the financial accounts and supporting evidence to provide assurance that records were complete, cash was held and handled securely, and management oversight and challenge were effective.

2.2.2 We acknowledged that the workload of the deputy’s team had expanded significantly, with a considerably increased number of deputy’s clients, with more complex needs and significant financial assets. In addition, the team had been managing delays and backlogs, brought about by the pandemic. The Assistant Director had identified that the resources for the service were limited and that this had been addressed creatively using a mixture of volunteers and apprentices.

2.2.3 Since the previous audit, there had been a significant reduction in the amount of cash handling being undertaken, with the majority of clients now receiving personal allowances via card. We found policies and procedures to be in place, although they would benefit from further review to ensure they reflected current practice and legislative requirements. Also, appropriate fees had been charged, as set out by the Office of the Public Guardian.

2.2.4 Notwithstanding this, there were some areas of concern that were identified during the audit, such as the high volume of manual processes and an overreliance on a variety of spreadsheets. In one instance, this had led to correspondence being overlooked and a lack of timely identification and action where client funds (circa £62,500) had been incorrectly transferred to the wrong account and not picked up for some considerable time. It was also noted that staff, in some instances, were keeping personal sensitive hard copy paperwork at home and whilst there may be operational reasons for this, GDPR implications need to be considered.

2.2.5 We reported a lack of controls in relation to the transfer of clients’ funds from private to RBC designated deputy and appointee bank accounts. Progress was tracked manually via spreadsheets and no formal reconciliation was conducted between bank statements to verify that the correct amounts had been received into the correct accounts.

- 2.2.6 Supporting documentation, particularly in relation to the receipt of cash, had not always been retained to provide a clear audit trail of the amounts received. Monies received had also been misrecorded on Caspar<sup>2</sup>, in some instances as expenditure, leading to discrepancies between clients' Caspar and cashfac<sup>3</sup> balances. However, the Deputy's Team Manager had indicated that funds were always double-checked by someone else in the team and counted into the cash float, where it was also recorded.
- 2.2.7 Notes on Caspar and documentation on information@works<sup>4</sup>, were not always kept up to date so there was not always a clear audit trail to substantiate actions taken for all clients.
- 2.2.8 Whilst there were three levels of control on cashfac payments, requiring three different officers to undertake these roles, all team members (including juniors) with cashfac access could undertake any of these roles. At review stage, transactions were only reviewed with a view to identifying anomalies so inputting errors such as incorrect bank accounts were unlikely to be identified. Due to changes in staffing/profile of staff within the team, we recommended a review of the roles and responsibilities of team members more widely to ensure they were appropriate to their seniority.
- 2.2.9 It would also be of benefit for professional advice to be sought, to ensure that legislation and best practice was met and that all actions could be demonstrated to be in the client's best interests (for example in relation to proposed actions with clients' assets)<sup>5</sup>.
- 2.2.10 The Deputy's Team was proactive in addressing Internal Audit recommendations as they were identified during the audit.

		Recs			Assurance
2.3	Purchase Cards (Follow up review)	0	2	0	Reasonable

- 2.3.1 In December 2020 an Internal Audit report was issued on the review of Purchase Cards, with a total of 15 recommendations including 12 priority 2 recommendations. The assessment of the status of implementation was obtained largely by an update from the identified responsible officer, followed by obtaining supporting evidence and, where necessary, testing.

<sup>2</sup> Deputies Case Management System

<sup>3</sup> Deputies Cash Management Software

<sup>4</sup> the Council's Document Management System

<sup>5</sup> Audit has been informed that two Independent Financial Advisers (IFAs) have now been sourced to review client accounts with balances in excess of £50,000.

2.3.2 Good progress has been found to have been made with most of the recommendations having been implemented. Two recommendations which have been not implemented, were contingent upon the updating of the procedure document that had been in place at the time of the audit in December 2020.

2.3.3 Due to the implementation of agreed actions since the original audit report in December 2020, the assurance level provided by Internal Audit is now Reasonable Assurance.

	Recs			Assurance	
2.4	re3 Waste PFI	0	5	1	Reasonable

2.4.1 re3 is responsible for arranging the disposal of household waste collected across Bracknell Forest, Reading and Wokingham Boroughs. This includes recyclable waste and general waste collected at the kerbside, at the two Recycling Centres, glass banks and street cleaning. Since 2006, the partnership has been working with FCC Environment, a private contractor. On re3 Council’s behalf, FCC Environment manages and provides facilities for recycling and managing the waste. This includes management of a “state-of-the-art” Material Recycling Facility in Reading, two Recycling Centres and Transfer Stations as well as facilitating waste treatment services through energy recovery facilities, green waste composting sites and landfill.

2.4.2 The focus of the audit was to evaluate the existing formula and process for allocating/charging costs as agreed in the original Joint Working Agreement (JWA). We also reviewed processes used for allocating/charging costs across the 3 boroughs: and similarly, arrangements for the sharing of any financial reward(s) or incentive across the 3 boroughs for meeting recycling targets.

2.4.3 We concluded that the re3 waste project is well controlled and managed. However, there are several areas where improvements should be made, which if implemented would provide additional assurance to the Joint Waste Disposal Board and the three individual Borough Councils who are part of the project.

2.4.4 From review of the JWA and Schedule 24 of the Contract, signed by the three Councils, and the re3 Waste Contractor, we can confirm that the JWA in place provides clear formulae and processes for allocating and charging costs.

- 2.4.5 A number of changes to the JWA were made and included in a JWA Changes document, dated 2011. We saw evidence that all changes were reported to the Joint Waste Disposal Board (JWDB) for approval, including the Energy Recovery Payment and the Monthly Landfill Payment. However, there appear to have been other changes to the waste processes, in recent years, including recycling, that should be included in an updated version of the JWA Changes document, with evidence of approval by the JWDB.
- 2.4.6 We are satisfied that the control framework supporting the financial and operational records are complete and accurate and that the processes in place are sufficiently robust. Where errors or omissions have occurred the Principal Finance Officer (PFO) in the re3 waste project team, had identified the cause in a timely way and rectified the issue. Going forward there is a need to consider the reliance placed on the re3 PFO and for the re3 Strategic Waste Manager to ensure that the risk of single person dependency, is mitigated more effectively.
- 2.4.7 There is no formal internal quality review process within the re3 waste project team. There is evidence, however, to show that in the monthly meetings between the re3 PFO and Finance colleagues from the three borough councils, there is a significant exchange of information and opportunity during the meetings to check that the formula and processes are being followed by all three boroughs, and that all three boroughs agree that the sharing of rewards/ incentives is fair transparent and accurate. However, the meetings are informal and do not provide minutes and/ or action plans to progress issues raised. In addition, there is no formal documented review process that would require, for example, the three borough council Finance Managers to carry out sample checks of spreadsheet formulae, evidence of source data and invoice calculation and allocation. If these checks were formalised it would provide additional assurance to each council, to the re3 Project team and to the JWDB. Furthermore, it would go some way to mitigating the risk of the single point of dependency with the PFO.
- 2.4.8 We were satisfied that the reporting and meeting control framework provides adequate assurance to the JWDB and the three borough councils. There is, however, an opportunity for the reports to provide an update and challenge for the JWDB on the management of risk in the project. In addition, the Chair of the JWDB should set a more forward-looking agenda, which enables the partnership to take the leadership in progressing change in the project and introduce a process of minutes and specific action plans to follow up at subsequent meetings.

- 2.4.9 At the time of the audit testing, there was evidence that a number of the procedural documents required updating. In addition, the documents are based on the experiences of the present and previous re3 PFO's and have received no additional review and or approval by either the re3 Strategic Waste Manager or, if appropriate, the JWDB. As part of the overall effective Governance of the project, supporting written guidance should be in place to cover all processes for all of the teams' operations.

## 2.5 Grant Certifications

### Local Transport Plan Capital Settlement

- 2.5.1 The funding streams fall into two Grant determinations, the Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks) and the Local Transport Capital Block Funding (Pothole Fund). The funding streams are the Integrated Transport Block (£1,592m), Highways Maintenance Block Needs element (£817k), Highways Maintenance Block Incentive element (£204k) and the Pothole Fund (£817k).
- 2.5.2 The grants may be used only for the purposes that a capital receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003 and the Chief Executive and Chief Internal Auditor are required to sign and return a declaration to the Department for Transport confirming the grants have been spent in accordance with the conditions of the grant determination.
- 2.5.3 Whilst we can confirm that grant funding has been spent in accordance with the grant the total funding for the Integrated Transport Block of £1.592m has yet to be spent.

### Green Homes BEISA Grant Phase 1B Project Closure

- 2.5.4 The Green Homes Grant scheme is funded by the UK government Department for Business, Energy and Industrial Strategy ('BEIS') and is a scheme for homeowners and landlords in England to support the installation of energy efficient and low-carbon heating improvements to their homes.
- 2.5.5 The amount of the grant was £287,500 and having carried out appropriate investigations and checks, in our opinion, the conditions attached to the Green Homes Grant have been complied with.

### Covid-19 Bus Services Support Grant - certification

- 2.5.6 In 2020 the Department for Transport made available a two-part funding stream to support both the local transport authority and the bus operator. This was to help mitigate the impact of Covid-19 on the bus industry and support them to be able to continue to run services due to the availability of staff, as well as passengers' unwillingness to use bus services following the Governments advice to avoid non-essential travel.
- 2.5.7 Funding was allocated across 8 tranches, between April 2020 and August 2021 to a value of £406,939. Having carried out appropriate investigations and checks, in our opinion, the conditions attached to the Covid-19 Bus Services Support Grant have been complied with.

Key: ■ No Assurance ■ Limited Assurance ■ Reasonable Assurance ■ Substantial Assurance

Audit reviews carried over from 2021/2022

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Client Contributions (Adult care)	●				Feb-22	May-22	Jun-22	1	5	6	
Freedom of Information (Follow-up Review)	●				Jun-22	Jul-22	Aug-22	-	-	-	
Transparency Code Compliance (follow-up)	●				Jun-22	Jul-22	Aug-22	-	-	-	

Audit reviews for 2022/2023

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Green Homes BEIS Grant	●				Nov-22	Nov-22	Nov-22	-	-	-	N/A
Waste Operations	●				Apr-22	Jun-22	Jun-22	0	2	0	
Rent Accounting	●				Apr-22	Jun-22	Aug-22	0	6	4	
Deferred Payments	●				Apr-22	Jun-22	Aug-22	1	8	0	
NHS Test and Trace Grant Determination	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Contain Outbreak Management Fund Grant*	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Practical Support Payment (PSP) grant*	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Rough Sleepers Initiative Grant*	●				Jun-22	Jun-22	Jun-22	-	-	-	N/A
Salary Sacrifice schemes	●				Jul-22	Oct-22	Oct-22	0	2	4	

Key: ■ No Assurance ■ Limited Assurance ■ Reasonable Assurance ■ Substantial Assurance

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Deputyship and Appointeeship	●				Jul-22	Sep-22	Nov-22	5	3	3	
Crime & Reduction Grant*		●			Aug-22	Aug-22	Aug-22	-	-	-	N/A
Local Transport Plan Capital Settlement (Grant Certification)		●			Sep-22	Oct-22	Oct-22	-	-	-	N/A
Waste PFI contract		●			Jun-22	Sep-22	Nov-22	0	5	1	
Cyber Security		●			Aug-22	Dec-22					
Audit Committee Review		●			Dec-22						
Budget Setting/Monitoring		●			Dec-22						
Bus subsidy grant (covid) – certification*			●		Nov-22	Nov-22	Nov-22	-	-	-	N/A
Housing Revenue Account (Follow up) *			●		Nov-22	Jan-23	Jan-23	0	0	0	
Purchasing Cards*			●		Sep-22	Dec-22	Jan-23	0	2	0	
Inflationary Uplifts (follow-up)			●		Nov-22						
Housing Repairs (responsive & planned maintenance)			●		Nov-22						
Housing PFI			●								
Records Management & Document Retention Policy (follow-up)			●		Postponed to 2023/2024						
BACS Security and controls over Faster Payments			●		Nov-22						
Furlough Administration			●								
Direct Payments			●		Oct-22	Dec-22		2	6	3	

\*ADDED DURING THE YEAR

Key: ■ No Assurance ■ Limited Assurance ■ Reasonable Assurance ■ Substantial Assurance

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Adult Care Provider Payments (follow-up)			●								
General Ledger				●							
Accounts Payable				●							
Commercial Assets & Investments				●	Sep-22	Jan-23					
Intercompany accounting (Follow-Up Review)				●	Postponed to Q1 2023/2024						
Contract Management				●							
Terminations (leavers and movers) processes				●							
Adults Contract Management (follow-up review)				●							
Client Contributions Adult Care (Follow Up)				●							
Adult Social Care Debt				●							

### **3.5 Council Tax Support Investigations**

3.5.1 The Corporate Investigations Team (CIT) has referred several cases for financial reviews from 49 Council Tax Support investigations completed, where a discount was removed from the current account. CIT has 12 ongoing investigations linked to Council Tax support.

### **3.6 Housing Tenancy Investigations**

3.6.1 Since 1st April 2022, officers have commenced an investigation into several referrals of tenancy fraud, with 19 cases ongoing and 3 properties having been returned to stock to date. All these cases were tenancy-related investigations. The team has also assisted in the return to stock of 2 Registered Social housing landlords' properties.

3.6.2 The notional saving achieved on the properties returned to RBC stock is £279,000 adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.

3.6.3 CIT has also looked at 13 Right to buy applications 2 applications have been withdrawn in the period securing for RBC a rental income of £13,400 for this year and preventing £174,400 in grants been paid under the scheme

3.6.4 CIT also undertakes assurance verification by looking at new homeless applications. For the period, the team has reviewed 103 cases. There are 13 cases awaiting Council Tax to review the SPD, and to date, a total of £5,823.00 has been recorded as direct SPD savings.

### **3.7 Disabled Persons Parking (Blue) Badges**

3.7.1 Blue Badges are parking permits issued by the council to assist disabled persons with parking across the area. A Blue Badge can give the badge holder exemption from some parking restrictions and access to designated parking spaces.

3.7.2 Over a 3-day period in May, Investigation Officers worked alongside the Blue Badge team and Parking Enforcement Officers to monitor and report on possible Blue Badge misuse across the Town Centre.

3.7.3 Over the 3-day period, officers undertook approximately 18 hours of monitoring, checking, and verifying a total of 307 vehicles. The investigations identified the following:

- Two badges were found to be in use, where the Badge holders were not present.
- Five badges designated to a child, were found to be in use, when the child should have been in school.

- One badge reported as stolen was found to be in use.
  - Four badges in use had expired, of which three were seized by officers and removed from Circulation.
  - One badge belonging to a deceased person was found to be in use.
- 3.7.4 All the above cases are subject to further investigation and possible legal action where applicable. All these cases were reported to NSL, and Fixed Penalty Charge (FPN) was issued. A further two vehicles were found to be parked in disabled bays, without displaying any Blue Badge. These vehicles were reported to Parking Enforcement Officers and an FPN was issued in both cases.
- 3.7.5 Including the vehicles which failed to display any badges, we reported fifteen issues linked to Blue Badge misuse over the period of inspection. This equates to approximately 5% of all vehicles inspected on the day.
- 3.7.6 In addition to the above, since April 2022, we have received a total of 8 misuse referrals, all of which were investigated. 1 case was successfully prosecuted in April 2022, and 5 cases have been sent a formal warning letter and the remaining cases under ongoing investigation.

### **3.8 Covid Business Grant Investigations**

- 3.8.1 The investigations team have recently achieved a successful prosecution, in respect of a fraudulent Covid Business Grant Claim, with the defendant admitted to fraud by false representation and made to pay compensation of £10,000 to RBC. The defendant was also handed a community order to undertake 100 hours of unpaid work.

### **3.9 Social Care Fraud**

- 3.9.1 There is one ongoing direct payment investigation (Adults) currently in progress, which is linked to potential money laundering offences and in a separate case are working with RBC legal services to recover £16,000 in misused monies linked to an ongoing investigation into direct payment fraud.

### **3.10 Other areas**

- 3.10.1 Officers have been working with Adult Social Care (ASC) in reviewing direct payments to ensure monies are being spent in accordance with the care plans. The initial sample of 5 clients selected by ASC was classed as high-risk, as RBC had no access to the client's bank account and was reliant on them providing evidence of care being paid.

- 3.10.2 The purpose of our review was to establish that all clients have used the direct payments from RBC as intended, that all clients had received the care that ASC had confirmed was required and that all services had received payment for that care. The total balance of the five accounts was circa £100,000, of which ASC is looking to recoup the entire balance.
- 3.10.3 As a result, the team was asked to review a further 20 clients' accounts. From these it was found that 14 out of 20 accounts reviewed, were shown to have significant surplus balances above £3,000. 8 accounts had surplus balances above £9,000 and 3 had surplus balances in excess of £14,000. As such, ASC is looking to recoup approximately £133,730.
- 3.10.4 What is important to note is that none of these cases were found to involve fraudulent activity.
- 3.10.5 Following on from this work, internal audit has undertaken a review of direct payments with the results of the audit to be presented to the Committee at its next meeting.

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**Classification: UNCLASSIFIED**

## **Final Internal Audit Report**

### **DEPUTY AND APPOINTEESHIP**

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**To:** Marie Roeton - Office Manager, Deputy's Office  
Jo Lappin - Assistant Director for Safeguarding,  
Quality, Performance and Practice



**From:** Kirsty Hancock - Senior Auditor

**Limited  
Assurance**

**Date:** 2<sup>nd</sup> November 2022

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#### **EXECUTIVE SUMMARY**

##### **1. BACKGROUND**

- 1.1 The Court of Protection (COP) is responsible for fund control and administration for people who have been assessed as lacking capacity as defined by the Mental Capacity Act 2005 (MCA). There is a statutory framework under the MCA for safeguarding adults who are unable to make decisions to ensure that staff act in their best interests.
- 1.2 A deputy is authorised by the Court of Protection to make decisions on behalf of someone if they lack mental capacity i.e., they are unable to make a decision for themselves when it needs to be made. There are two types of deputy; a property and financial affairs deputy who carried out tasks such as paying the person's bills and a personal welfare deputy who makes decisions about medical treatment and how someone is looked after. If appointed as a deputy, a court order details the roles that the deputy can undertake.
- 1.3 The person's property and money must be kept separate, and records of the finances managed on their behalf must be kept and reported in the annual report which is submitted to the court for approval. When a deputy makes a decision, it must be in the person's best interests, take consideration of the past, apply a high standard of care, help the person understand the decision and details of the decision be included within the annual report. A final report must also be produced on the cessation of deputyship. An application fee is payable on applying to become a deputy and charges set by COP and Office of the Public Guardian (OPG) for various deputyship services provided by the holder of an office in a public authority. The Office of the Public Guardian supervises deputies appointed by the COP.
- 1.4 An appointee is responsible for making and maintaining any welfare benefit claims including signing claim forms, informing the benefit office of any changes which affect how much the claimant receives, spending the benefit in the claimant's best interests (for example ensuring day-to-day bills are paid) and informing the benefits

office if they stop being an appointee. The DWP is responsible for approving appointee applications and monitoring arrangements.

## 2. OBJECTIVES & SCOPE OF THE AUDIT

2.1 The purpose of the audit was to undertake a review of the arrangements in place over deputyship and appointeeship to assess whether the Council was fulfilling its responsibilities. This included review of financial accounts and supporting evidence; ensuring records were complete; cash was held and handled securely, and management oversight, challenge and assurance was effective.

2.2 The review encompassed the following areas:

- There were appropriate, documented policies and procedures in place, which were up to date, regularly reviewed, approved, and readily available, with appropriate fee levels in place.
- There was appropriate staffing in place, with DBS checks undertaken.
- New deputies and appointees followed required processes and were assessed to ensure an appropriate level of support was being provided.
- Existing deputies and appointees were treated appropriately and in accordance with relevant legislation, with transactions accurately recorded, good audit trails and appropriate separation of duties, notes up to date, cash handling kept to a minimum, and appropriate safeguards in place.
- Legal requirements were met in relation to former deputy and appointee clients.
- There was appropriate management oversight.
- Follow up previous audit recommendations.

2.3 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

2.4 This report is confidential and has been prepared solely for use by officers named on the distribution list and if requested, the Council's External Auditor and its Audit and Governance Committee to meet legal and professional obligations. It would therefore not be appropriate for this report, or extracts from it, to be made available to third parties before it has entered the public domain. It must not be used in response to FOI or data protection enquiries without the written consent of the Head of Internal Audit. We accept no responsibility to any third party who may receive this report, in whole or in part, for the reliance that they may place on it.

## 3 CONCLUSIONS

3.1 It is acknowledged that the workload of the deputy's team has expanded significantly, with a considerably increased number of deputy's clients, including those having increased requirements and significant financial assets, and delays and backlogs as a result of the pandemic. The Assistant Director has identified that the resources for the service were limited and that this had been addressed creatively using a mixture of volunteers and apprentices.

3.2 Since the previous audit, there had been a significant reduction in the amount of cash handling being undertaken, with the majority of clients now receiving personal

allowances via card. It is also acknowledged that the Deputy's Team has been proactive in addressing Internal Audit recommendations as they were identified during the course of the audit.

- 3.3 A range of policies and procedures were in place that were reviewed and available to team members. However, they would benefit from further review to ensure they reflected current practice and legislative requirements and that all Deputies Officers were aware of their existence.
- 3.4 Appropriate fees had been charged as set out by the Office of the Public Guardian.
- 3.5 Notwithstanding this, there were some areas of concern that had been identified during the course of the audit which require management attention.
- 3.6 There was a lack of automated/workflowed processes to ensure that actions were taken when required. A number of processes were manually triggered and reliant on a variety of spreadsheets and review of these to trigger action, and hence subject to error and omission. This had led to correspondence being overlooked and a lack of timely identification and action where client funds had been incorrectly transferred. It was also noted that personal sensitive hard copy paperwork was being kept at home in some instances posing a GDPR risk.
- 3.7 There was a lack of controls over income, particularly in relation to the transfer of clients' funds from private to RBC designated deputy and appointee bank accounts. Progress was tracked manually via spreadsheets and no formal reconciliation was conducted between bank statements to verify that the correct amounts had been received into the correct accounts. Supporting documentation, particularly in relation to the receipt of cash, had not always been retained to provide a clear audit trail of the amounts received. Income had also been misrecorded on Caspar in some instances as expenditure leading to discrepancies between clients' Caspar and cashfac balances. However, the Deputy's Team Manager had indicated that funds were always double-checked by someone else in the team and counted into the cash float, where it was also recorded.
- 3.8 Notes on Caspar, the Council's deputies and appointees' case management system, and documentation on information@works, the Council's document management system, were not always kept up to date so there was not always a clear audit trail to substantiate actions taken for all clients.
- 3.9 Whilst there were three levels of control on cashfac payments requiring three different officers to undertake these roles, all team members (including juniors) with cashfac access could undertake any of these roles. At review stage, transactions were only reviewed with a view to identifying anomalies so inputting errors such as incorrect bank accounts were unlikely to be identified. Due to changes in staffing/profile of staff within the team, it would be beneficial to review the roles and responsibilities of team members more widely to ensure they were appropriate to their seniority.

- 3.10 It would also be of benefit for professional advice to be sought from RBC's legal (and other) teams, as relevant, to ensure that legislation and best practice is met and that all actions can be demonstrated to be in the client's best interests (for example in relation to proposed actions with clients' assets). Audit has been informed that two Independent Financial Advisers (IFAs) have now been sourced to review client accounts with balances in excess of £50,000.
- 3.11 It should be noted that due to the nature of the process for former deputies and appointees at the point of the audit, no detailed testing had been conducted in this area or opinion offered. The audit also did not include consideration of the processes related to social care provision for clients or client contributions towards this.
- 3.12 A total of 11 recommendations have been made in respect of this review, of which 5 are considered high priority. The recommendations and corresponding management action plan are attached at Appendix 1.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
<b>POLICIES AND PROCEDURES</b>					
<i>RISK: Inaccurate, inconsistent processes carried out which do not meet legislation or best practice, leading to potential financial loss and reputational damage to the Council</i>					
1	<p>It should be ensured that all Officers are aware of the existence of relevant policies and procedures. In addition, existing documentation should be reviewed to ensure there is sufficient detail and that they reflect current processes. Professional advice should be from RBC's legal (and other) teams as relevant to ensure that processes/procedures meet all required legal and best practice requirements and that actions are in clients' best interests (for example professional financial advice in relation to asset transfers/sales).</p> <p>Consideration should be given to archiving/deleting old versions of procedures to avoid confusion.</p>	Priority 2	<p>All of the team is aware of where the office processes are held on file.</p> <p>There are easy guide tick lists to follow that have been created.</p> <p>An Independent Financial Advisor (IFA) is sourced for clients that hold over £50k; however, there have been difficulties since COVID to source any.</p> <p>All processes are being reviewed; they will be saved in one central place on SharePoint for the team to access - all old processes will be deleted.</p>	Team Manager, Deputy's Office / Deputy's Administrator	31/12/22

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
2 Page 40	<p>It is recommended that a full review of processes is undertaken by the Transformation Team with a view to streamlining them, moving away from manual processes/multiple spreadsheets, and to a more automated/workflowed approach. This would help identify progress, delays and approaching deadlines, enabling timely action to be taken.</p> <p>Working from one central document is preferable to using a number, some of which are located on personal drives, which is reliant on Officers updating them - SharePoint could help alleviate this problem.</p> <p>In association with this, an investigation should also be undertaken into the capabilities of NEC Document Management system (the system replacing i@w, the Council's current electronic document management system).</p> <p>It would also be beneficial to clearly document the calculations, including amounts/dates used, to determine deputy's and appointees' fees.</p>	Priority 1	<p>It is felt that a more specialized, commissioned professional who is aware of the process/Deputy's Service would support better with reviewing processes - for example from Trojan who supplies Caspar.</p> <p>There are processes to follow; however, some of the team have created their own spreadsheets to support them with their workflows as a tool. These spreadsheets are now kept on the shared drive, rather than on their desktops. They have also been advised to use their Outlook calendar as a prompt reminder.</p> <p>Investigations into the "trays of work" in i@W to see if this would benefit the team with capturing their workflows, have, to date, proved unsuccessful.</p> <p>Calculations for the appointee and Deputy charges are clear. The charging date is by the direction date, which is when the balance from cashfac is obtained to work out the charges.</p>	Team Manager, Deputy's Office	31/3/23

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
3 Page 41	<p>It should be ensured that notes on Caspar are kept up to date and provide a clear audit trail to substantiate actions taken for clients, including client visits.</p> <p>Individual risk assessments should be saved on all clients' Caspar records.</p>	Priority 3	<p>Caspar is a new way of working within the Deputy's team. Prior to Caspar, the team was very much dependent on spreadsheets, hard copy case notetaking, and memory. It has been reinforced to the team that they all need to ensure case notes are recorded accurately and in a timely manner, rather than wait for the case to conclude.</p> <p>A new way of working has evolved with Caspar, capturing so much data in one place. Other areas are reviewed with a view to updating on Caspar to benefit the team with information.</p> <p>Officers have been advised of the importance of following the process completely (which includes risk assessments) before moving on to something else.</p> <p>Checks are now in place for new clients - all clients' risk assessments have been checked.</p>	Team Manager, Deputy's Office	Complete
<b>NEW DEPUTIES AND APPOINTEES</b>					
<i>RISK: Delays/approaching deadlines in the application and associated processes are not automatically identified, resulting in a lack of (timely) action</i>					
4	<p>It should be ensured that copies of signed documentation/applications and granting of deputyship/appointeeship, as well as all relevant supporting documentation, is retained on clients' i@w files.</p>	Priority 3	<p>The team has been advised to ensure all documentation is saved to i@w and then check to make sure all correspondence has been saved.</p>	Team Manager, Deputy's Office	Complete

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
Page 42	<p>There needs to be improved controls on income. It should be limited as to who is able to request the transfer of funds and there should be appropriate management oversight of the process.</p> <p>There should be a clear method for identifying sources of income and regularly tracking the progress of their transfer, automated or workflowed where possible, which should also include reconciliation between official documents (such as final bank statements/benefit/pension notifications etc), Lloyds CBO, cashfac and Caspar to ensure that all funds have been transferred, the correct amounts credited to the correct accounts and identify any issues in a timely manner with appropriate action taken. Where possible, manual and multiple spreadsheet processes should be avoided.</p> <p>Where there is cash handling, there should be a clear, documented audit trail of the cash received, a copy given to the client/relative, etc. and a copy retained by the deputy's team to evidence the cash transfer. Where cash payments are made to carers/others and the client lacks capacity, regular expenditure logs should be requested and reviewed, ensuring there is appropriate supporting documentation in all cases and that transactions are bona fide.</p> <p>All financial transactions should have a clear audit trail, with supporting evidence retained in a central location.</p> <p>There should be a clear, documented scheme of delegation.</p>	Priority 1	<p>There is a spreadsheet in place that lists client accounts that have been identified as belonging to them that need to be closed once the Direction has been received. Accounts are identified from clients' post collected from their property or from mail redirection to the Deputy's Team. Client accounts may also be identified directly from the clients/family/friends/social workers. The clients' bank statements of the accounts that the Deputy's Team is aware of for income and expenditure are also reviewed; this provides a great deal of information. The spreadsheet/Caspar is updated with details of when contact has been made by the Deputy's Office Administrators with banks and is overseen by the Deputy's Office Manager; bank visits are recorded in the notes section of Caspar.</p> <p>Closing statements are generally requested but are not always provided, especially if the person was being supported previously by someone who was financially abusing them, or the previous appointee was using their own account for the client's benefits to be transferred into.</p> <p>Changes have been made to improve this process. The team is aware not to close off an account (mark it as closed on the spreadsheet) until they have received the closing statement (when available) and then checked the balance in cashfac.</p> <p>All the team is aware that there is now a red tray to place all correspondence received advising of account closures.</p> <p>The team is aware of the process for cash being returned to the Deputy's Office.</p> <p>The manager seeks approval from the AD for Safeguarding, Quality, Performance and Practice to authorise all high levels of expenditure of £1,000.00 or more. Duty officers can authorise less than £1,000.00 but do need to notify the manager. In both instances, authorisations/approvals are recorded on Caspar in the notes section.</p>	Team Manager, Deputy's Office	Complete

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
6	It should be ensured that transactions are accurately reflected on Caspar, with appropriate descriptions and allocation of income/expenses. Debits and credits should be shown as separate transactions and attention paid to accurately recording whether transactions were income or expenditure. This should be reviewed as part of the monthly reconciliation process and there should be appropriate oversight of this process to ensure it is completed correctly.	Priority 1	Changes have already been implemented to ensure that transactions are being recorded accurately on Caspar. The new process involves reports being checked on the 25 <sup>th</sup> of every month to see if anything has been misallocated and if so, to find out why and rectify it. Any corrections made will be captured on Caspar.	Team Manager, Deputy's Office / Deputy's Administrators	Complete
<b>EXISTING DEPUTIES AND APPOINTEES</b>					
<b>RISK:</b> Transactions are not subject to appropriate levels of control, increasing the risk of error and potential fraud.					
7	Roles and responsibilities of all deputy team members, including within the payment process, need to be reviewed. Non-employed/junior officers should not be undertaking reviewing/release roles and only inputting with appropriate oversight (junior officers). Further consideration needs to be given to roles within the review/release process to ensure that there are appropriate controls/checks in place to ensure payments are bone fide.	Priority 1	<p>Now only employed staff have access to the system. Previously, the team had been supported by temps/new directions who had access to Cashfac because the team was short-staffed.</p> <p>The previous process has now resumed:</p> <ul style="list-style-type: none"> <li>• Bacs payments are inputted with bank details ticked to ensure they have been double-checked.</li> <li>• Authorising officer authorises the payments.</li> <li>• Releasing officer, who is the Senior officer on Duty, double-checks the invoices that have been paid before releasing the payments.</li> </ul> <p>Questions are asked by the authorising officers if there is something that does not look right, or if the payment is for a significant amount.</p>	Team Manager, Deputy's Office / Deputy's Office Team	Complete

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
∞ Page 44	Consideration should be given to reconciling clients' accounts, including CBO card accounts, on a regular basis for example as part of the annual review/report process to ensure that all income/expenditure is correct and has been correctly identified/recognised and that there is consistency between records.	Priority 2	<p>The team audit accounts that require auditing. However, sometimes there will be a delay between the auditing dates which are captured when completing the reviews. This area of work has increased significantly since moving away from cash.</p> <p>CBO accounts are checked every Friday.</p> <p>Some clients remain independent, and they are able to manage a weekly allowance, so their accounts are not audited.</p> <p>Changes have already been implemented to ensure that transactions are being recorded accurately on Caspar. The new process involves reports being checked on the 25<sup>th</sup> of every month to see if anything has been misallocated and if so, to find out why and rectify it. Any corrections made will be captured on Caspar.</p> <p>Closure of accounts, transfer of funds from private accounts to RBC main account. Name of accounts is recorded on a spreadsheet with the date that a letter was sent to request a statement and closing of the account. Once a closing letter is received back from the bank/building society etc, they are now placed into a red tray to be checked on cashfac that the funds have been received and that they match the closing statement. Only then is the account highlighted on the spreadsheet as complete, and the correspondence saved up to l@W.</p>	Team Manager, Deputy's Office / Deputy's Office Team	Complete

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
9	<p>Consideration should be given to retaining relevant communications relating to transactions reallocated from the cashfac suspense account in the client's i@w folder in case of future queries etc. and as an audit trail.</p> <p>An appropriate investigation should be carried out for items in the cashfac suspense account prior to reallocation to ensure that they are allocated to the correct client's account.</p>	Priority 3	<p>A drop down has been created in the NOTES section of Caspar called AUDIT. The team has been advised that any misallocation, correction or concern with audits needs to be recorded within this tab for transparency.</p> <p>An investigation will be completed until the matter has been resolved, then a note to be added on Caspar detailing the cause and what the outcome is.</p> <p>The investigation of the suspense account will be done more vigorously from now on, with more meticulous attention to detail for the transactions allocated. Improvements have already been implemented.</p>	Team Manager, Deputy's Office / Deputy's Office Team	Complete
Page 45 10	<p>It should be ensured that OPG reports are reviewed to confirm that bank balances agree to those on Caspar and that annual reviews include obtaining required safety etc. certificates/evidence that appropriate annual checks have been conducted in all cases.</p> <p>It should also be ensured that the review process is clearly documented.</p>	Priority 2	<p>Easy-read procedures are now in place detailing how to generate reports.</p> <p>All reports are checked by a senior officer.</p> <p>The Review process is clear; there is a form that officers can follow that supports the review process. Difficulties and delays are sometimes encountered receiving the safety certificates for the property.</p> <p>Current cases 238 Deputy 14 Appointee cases and 91 deceased cases.</p> <p>Both these areas of work have increased greatly as a report must now be created for every Deputy client; previously the team was only expected to create 10-15 reports a year for the OPG.</p>	Team Manager, Deputy's Office / Deputy's Office Team	Complete

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
1 1	Hard copy documents should not be kept at home - processes need to be reviewed and amended to avoid this. All relevant documentation should be stored centrally and electronically to ensure continuity of service and help prevent loss of tacit knowledge and information.	Priority 1	<p>This has been addressed - there is no valid reason why original documentation should be kept at home for long periods of time.</p> <p>All the Deputy's team have completed the GDPR training and Cyber Course, so are fully aware that they need to keep documentation secure and safe.</p> <p>All original certificates remain in the office files in the lockable cupboards.</p>	Team Manager, Deputy's Office / Deputy's Office Team	Complete

## 4. FINDINGS

### 4.1 POLICIES AND PROCEDURES

- 4.1.1 There was a range of documented procedures in place, most of which focused on how to carry out day-to-day tasks. However, some would benefit from a review to ensure that they reflected current practices and met relevant legislation and best practice, such as the client allowance procedure and the processes required to be carried out after a client had passed away (Rec 1). It would also be beneficial to ensure that appropriate professional advice, such as from the Council's legal team, is sought, where relevant.
- 4.1.2 At the time of audit testing, procedures were available on a shared drive that could be accessed by members of the deputy's team. Discussion with various deputies Officers identified that they were not always aware of what was available, there were not documented procedures for all aspects of their work, or they lacked sufficient detail in some cases - for example, the transfer of income from client's personal bank accounts to that of the deputy - and they would also benefit from further elaboration (Rec 1).
- 4.1.3 Discussion with the Office Manager identified that policies and procedures were reviewed and updated on a regular basis. However, there were a number of folders, and documents, some of which had been superseded and would benefit from being archived/deleted (Rec 1).
- 4.1.4 For a sample of deputies and appointees' clients, it was identified that appropriate fees had been charged as set out by the Office of the Public Guardian (OPG). Appointees were charged in bulk at the same time each year. Deputy's clients were charged fees annually on the anniversary of the date of the court direction being awarded. It was noted that this process was manually triggered, with a spreadsheet reviewed each month to identify the deputies who were due to be charged fees and the amounts due, which were then notified to the client in writing via a letter and invoice. This was subject to error and omission as it was reliant on the spreadsheet being up to date in terms of clients, key dates and services provided and calculations being correct (Rec 2).

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### 4.2 STAFFING

- 4.2.1 At the time of the initial audit inquiry, it had been identified that there were five permanent members of staff, one of whom was on long-term sick leave (and whose employment contract had subsequently ended). Since then, a finance administrator had been recruited on a rolling contract. There had also been a number of volunteers and people from New Directions College or on the Kickstart Scheme who had been assisting the team. In addition, a successful bid to the covid grant fund had enabled the funding of a fixed-term Best Interests Assessor and Deputies Court Administrator to work on mental capacity assessments for a cohort of appointees.

- 4.2.2 The Assistant Director for Safeguarding, Quality, Performance and Practice was the authorised signatory for the Court of Protection. It was noted that she had indicated that the resources for the team were limited in comparison to some other areas of the country and that this had been addressed creatively using a mixture of volunteers and apprentices.
- 4.2.3 It was noted in discussion that one team member had declared an interest; a note had been entered on Caspar<sup>1</sup> for that individual not to access the relevant client files or complete visits to them. However, access to the files was unable to be blocked and therefore was down to trust.
- 4.2.4 DBS checks were in place or in the process of being put in place for all current deputy team members. All staff completed generic RBC training and were trained in-house and supported by senior Officers in the team. Officers kept up to date with relevant legislation, changes, etc. by completing annual updates as required, and attended Association of Public Authority Deputies (APAD) meetings to learn of Office of the Public Guardian (OPG) and Court of Protection (COP) changes. Updates were also provided via email to officers by the Deputy's Office Manager. One team member was working on APAD accreditation. DWP/benefits training was accessed via updates, webinars, access to the FAB Team and reference books.
- 4.2.5 Deputy's team senior staff were on a rota as to when they needed to be in the office and also on duty, ensuring that there was always a senior officer at the civic but limiting the number of people in the office. Junior staff (including the apprentice), volunteers, New Direction, and Kickstart scheme members were all solely office based and supervised by senior staff.
- 4.2.6 Staff on duty dealt with telephone calls and emails received via the team inbox ensuring that all those received were dealt with on the day and appropriate notes input onto Caspar<sup>1</sup>. However, it was identified during internal audit testing that notes on Caspar were not always kept up to date so there was not always a clear audit trail to substantiate actions taken for all clients (Rec 3).
- 4.2.7 It was noted that an incident discussed later in the report (see section 4.3.16) had not been identified when it arose due to an issue with the process for dealing with the receipt of hard copy documents in the office and their subsequent scanning to information@works (i@w)<sup>2</sup> (also see section 4.3.17). The letter received from Barclays Bank in relation to the transfer of client funds was scanned and indexed to i@w but not workflowed to an officer for action. This meant that it was not identified that the letter was addressed to the incorrect person and a transfer made to an unknown bank account until the client's tax return was completed some months later. Since this had come to light, a new process had been put in place. However, it was noted that this was another instance where there was not an automatic/workflowed process in place which led to issues being overlooked (Rec 2).

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<sup>1</sup> Trojan Consultants case management system for deputies and appointees.

<sup>2</sup> Northgate electronic document management system.

- 4.2.8 All deputy's team staff were able to input, review and release payments via Lloyds cashfac<sup>3</sup>, although three different individuals were required for each of the three steps. It was also understood that all of the team's staff were able to visit the bank in relation to queries on clients' accounts and request closure and/or transfer of accounts if they possessed an original copy of the court direction and identification (Rec 7).
- 4.2.9 During the covid pandemic, client reviews were carried out via Microsoft Teams; however, these had now returned to being conducted face-to-face. Also, covid had led to a decrease in the amount of cash handled by the deputy's team, with the majority of clients now using a bank card rather than cash (see section 4.4.10).

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### 4.3 NEW DEPUTIES AND APPOINTEES.

- 4.3.1 Discussion with the Deputy's Office Manager identified that a visit was held with a prospective new client prior to submitting an application for deputyship to the court to determine whether the client supported the application, provide details of the deputy's office services and answer any questions, and obtain background on the client such as their likes and dislikes. There would always be a witness present although it was noted that at the time of audit testing no record of this meeting was retained on Caspar (Rec 3), although a note was included within the application to COP of the meeting and its outcome.
- 4.3.2 Prior to client visits being undertaken, an Intel check was conducted, and the client's Mosaic record and the team's own risk assessments were reviewed. Generic health and safety risk assessment documents were on the deputy's shared drive with individual risk assessment files on the client's record on Caspar. Several of the former had recently been updated including that for cash handling. Review of a sample of ten deputy clients identified that risk assessments were located on Caspar in 8 out of 10 cases sampled (Rec 3).
- 4.3.3 As noted above (see 4.2.9), during the pandemic, a number of meetings/reviews with clients/potential clients were carried out via Microsoft Teams. These were now able to be carried out in person again.
- 4.3.4 Internal audit review identified that a number of deputy's and appointees' processes were manual with a heavy reliance on a number of spreadsheets, some of which were located on personal rather than shared drives. There was a risk that Officers were not working from the most up-to-date data (GDPR risk) and, due to the manual nature of the processes, that key information and processes were overlooked (Rec 2).

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<sup>3</sup> Lloyds Bank facility providing virtual client accounts for deputies and appointees showing details of income and expenditure from the RBC deputy or appointee account.

- 4.3.5 New clients' details were input onto a deputy detailed client list spreadsheet and a unique client number generated. A client record was then set up for them on Caspar, with key information and documents uploaded. A client folder was also created on i@w and key documents saved in it. The client had a virtual account set up on Lloyds cashfac, they were added to the Court of Protection spreadsheet detailing whether they were liable to pay court expenses and details of bank accounts to be closed added to the accounts to be closed spreadsheet. Progress was tracked via a separate spreadsheet.
- 4.3.6 Internal audit review of a sample of 25 new deputy's clients identified that 24 out of 25 clients had been set up on Caspar (with the remaining case not applicable as they had been relinquished as a client). In all cases, the client had been set up/was already set up on Lloyds cashfac and in 19 out of 25 cases, the client had been set up on Lloyds CBO with a card account, with six of those having a card account but no transactions on it at the time of audit testing. In 18 out of 19 cases, there was evidence of a letter to the bank and application form having been signed by two finance signatories and the Assistant Director for Safeguarding, Quality, Performance and Practice.
- 4.3.7 Generally, there was evidence that appropriate forms had been submitted to the Court of Protection/Department for Work and Pensions (DWP) and copies retained on the clients' i@w record. Review of a Caspar report identified that as at 1<sup>st</sup> June 2022, there were a total of 489 records on Caspar, three of which were duplicates giving 486 unique records. From this, there were 262 active records, 202 of which were deputy clients, 37 appointees, one referral, 15 had been relinquished and 15 were blank. From the active records, 16 had been referred since 1<sup>st</sup> April 2021, with four having order dates.
- 4.3.8 Discussion with the Deputies Office Manager identified that as at 13<sup>th</sup> May 2022 there were five referrals with the deputies team that were awaiting processing. It was noted that referrals were prioritised based on urgency not in date order of receipt. Referrals had completed capacity assessments and verification that potential clients did not have anyone else suitable (for example family or friends) to become their deputy before they could be processed. It was identified during internal audit testing that there were several instances where the process to apply for RBC to become a deputy had been underway before it had been identified that a family member/friend was willing/able to take on deputyship. It was noted in discussion with Deputies Officers that this was now being checked with the social worker at the start of the application process.
- 4.3.9 Once these checks had been completed, several meetings would take place with the client to discuss the deputy's service before an application was made (see 4.3.1). In addition to these, there were a number of cases that were at various stages of the courts process and several instances where there had been a (significant) delay between referral and being appointed as deputy. Whilst some related to court delays, it was also noted that this was another instance where the process was manual and spreadsheet-based, which could lead to delays not being identified/in a timely manner (Rec 2).

- 4.3.10 Testing of a sample of 25 deputies clients identified that copies of the relevant documentation submitted to the COP were retained on the clients' i@w files in the majority of cases, with one case in the sample having no documents located on i@w file, one on the waiting list so no documents had been submitted at the time of testing and one being a relinquished client. In terms of notifying the client and three named individuals of the application to become a deputy, there was one case sampled where only evidence of two named people being notified was located and another where there was no evidence of any notification of the application on i@w, although it was shown on Caspar as having been completed (Rec 4). Application forms to become a corporate deputy were signed by the Assistant Director in all cases. There was also one instance where an interim direction had been granted for six months which was due to expire shortly. This had not been flagged automatically for action and was unlikely to have been identified without internal audit/COP highlighting (Rec 2). However, the deputy's team were taking the necessary action after internal audit highlighted the issue. It was also noted that all other court directions were being reviewed to identify any further instances where only an interim court order had been granted.
- 4.3.11 For the 14 appointees sampled, there was evidence of completion of the BF56 form in all but one case on i@w and all but two cases for the COP3 form, in all but one case there was evidence of the BF56 and COP3 forms being submitted to the DWP and in 10 out of 14 cases evidence that appointeeship had been granted. In the remaining four cases, there was no evidence of the appointeeship being granted but subsequent notification relating to the award indicated that the application had been successful.
- 4.3.12 It was also noted that Officers involved in the applications process had their own spreadsheets identifying progress which could lead to errors and omissions, as well as difficulty in obtaining appropriate management oversight (Rec 2, 4).
- 4.3.13 Discussion with the Deputies Office Administrator and Deputies Office Manager identified that benefits new clients were in receipt of and regular payments made (for example for utilities), were identified from clients' bank statements, which were either provided by the social worker on referring the client, or when the deputies team visited the client. Similarly, bank accounts were identified from reviewing paperwork, collecting post and discussing with clients on visits.
- 4.3.14 It was noted that a discussion would be had, if necessary, regarding whether assets should remain where they were (for example national savings and bonds) or, in the majority of cases, be transferred to the deputies or appointees RBC Lloyds account (Rec 1). Details of bank accounts and savings identified for each client were recorded on a spreadsheet and highlighted yellow once closed. To close accounts, either a letter was written to the relevant bank providing an original copy of the directive or the bank visited in person. It was noted that anyone within the deputy's team could write to the bank or visit the bank to request a transfer of funds (Rec 7). Requests for fund transfers required an original copy of the court direction to be included, which was located in a cupboard in the civic offices. Details of new clients were input into the client list spreadsheet, together with details of utilities,

insurance, rent, council tax and progress was tracked by individual Officers. These were reviewed and updated at least annually. Officers would diarise when awaiting forms.

- 4.3.15 Review of a sample of five new deputy's clients identified that income i.e., benefits and/or pensions identified in the client's Caspar notes/i@w file agreed to what had been received into the Lloyds CBO RBC deputies account, recognised in Lloyds cashfac in the clients virtual account and recorded on Caspar in three instances. In one instance the clients occupational pension was still being paid into another bank account and no statements were available to verify this was being received and there was a discrepancy regarding the amount of a loan that RBC had provided to the client with Caspar and Lloyds cashfac detailing that £10.5k had been provided but evidence was only located on i@w for total of £10k loan (Rec 5) and in one instance the client had been in receipt of £200 winter fuel payment which had been credited to her cashfac virtual account but not recorded on Caspar (Rec 6). In addition, for this latter client, a credit of £51.43 had been made with no details of what it related to - it appeared to be cash returned by her nephew from her son's funeral although no details/receipt to verify this and the amount received were located. Following further discussion with the Deputy's Office Manager, it was noted that receipts in relation to this were unable to be located (Rec 5). In addition, the client's occupational pension for March 2022 had been misallocated in cashfac to another client and had not been reallocated at the time of testing. Following audit inquiry, this was in the process of being addressed (Rec 5).
- 4.3.16 Further testing of the sample identified that in two instances, one personal bank account had been identified for each client, with the balance transferred to the RBC deputy/appointee account and recognised in the client's cashfac virtual account and Caspar. However, in both instances, there was no recent bank statement to verify that the amount transferred by the bank and received was correct (Rec 5). In one instance, the client's bank account balances had not been transferred to RBC as a family member was now applying for deputyship.
- 4.3.17 In the remaining two instances, the clients had a number of bank accounts with different providers, some with significant balances. In one of those instances, the providers had been written to, but no balances had been transferred at the time of audit testing. In the other instance, all bank accounts had been closed and the balances transferred to RBC's deputy account and recognised in the client's cashfac virtual account and on Caspar with audit verifying the balances transferred to bank statements in all but two cases. In one case (Halifax Bank), the balance transferred was circa £5k more than the balance per the latest statement (Rec 5). In the other instance (Barclays Bank), the balance (£62.5k) had not been received by RBC. Review of the relevant information identified that the bank had written to a named individual in a letter addressed to RBC, who was not a current or former RBC staff member nor a named friend or relative of the client. Similarly, the bank account detailed by the bank as to where the transfer had been made to was not an RBC account - it was a Lloyds account in Gloucester. The letter from the bank detailing the transfer was dated March 2022. Discussion with the Deputy's Manager identified that the deputy's office had found the issue a number of months later when an

officer was completing the client's tax return and were in the process of recovering the money - she believed it was a genuine error made by Barclays. It was noted that the letter from Barclays had been received via the post, scanned and put onto i@w but not workflowed to an officer for action so the issue was only identified when the tax return was completed (Recs 2, 5). A new process had subsequently been put in place so that bank closure letters were kept separately in hard copy to action (Rec 2). There was a lack of audit trail on i@w and notes on Caspar to evidence when the issue had been identified and action taken.

- 4.3.18 It was also noted that there was one instance identified during internal audit testing where money had been received from a client's relative by the deputy's office, but the amount credited to the client's virtual bank account (£2.25k) did not agree to the amount detailed on the client's Caspar record (£2.5k) (Recs 5, 6). Discussion with the Deputy's Office Manager identified that the amount credited was correct and the note incorrect. However, no receipt/copy receipt issued to the relative on site when taking delivery of the cash had been able to be located to verify the amount received (Rec 5).
- 4.3.19 For five appointees sampled, in four instances the benefits identified on Caspar'/i@w agreed to what had been received via Lloyds CBO and the clients cashfac virtual account. In the other instance, there was no notification in relation to the amount due for benefits and no benefits had been received to date in RBC accounts.
- 4.3.20 Further testing for appointees identified that in three instances, bank accounts had been pinpointed but there was no evidence of closure to date as the Court of Protection (COP) direction for deputyship had not been granted to allow this to happen, in one instance no bank accounts had been identified (and also no COP direction received yet). In the final instance, a bank account had been identified and the balance transferred to Lloyds CBO and the client's cashfac virtual account after the COP direction had been received granting deputyship. However, it had been misrecorded in Caspar as expenditure and then reconciled as income so that the client's Caspar and cashfac accounts did not reconcile as at the end of July (Rec 5). It was noted that there was not always a regular review of clients' personal bank accounts to identify progress with closure and no record was kept of the amount received reconciled to the latest bank statement to ensure the correct amount had been credited (Rec 5).
- 4.3.21 It was noted that a project was currently underway to assess all appointees and determine whether the level of support being provided by the Deputy's Office was sufficient or whether there was a need to apply for deputyship for the client. A Best Interests Assessor (BIA) had been appointed to assess appointees. A spreadsheet was being maintained to track progress which was saved on the Officer's desktop (Rec 2). However, it was noted that this was not a comprehensive list of appointees to be assessed but only detailed those where information had been received back from the BIA. It was understood that there are approximately 30 appointees' clients. Of these, 21 (i.e., approximately two thirds) had been assessed

by the BIA at the time of audit inquiry with two being identified as having capacity (i.e., appropriate to stay as appointees) and in one case an objection had been raised to applying for deputyship. The remaining 18 were at various stages of the court application process for deputyship.

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#### 4.4 EXISTING DEPUTIES AND APPOINTEES

- 4.4.1 Clients' financial transactions were generally accurately recorded and had supporting paperwork. Details of the payment and transfer process via cashfac and Lloyds CBO were documented in a procedure note. In the main, payments were made in the client's cashfac virtual account and then imported into the Lloyds CBO pool deputy/appointee account on a daily basis by finance. Once completed, the deputy's team were notified, and a deputy's team member approved the payments. Any failed payments were reviewed, amended and resubmitted for transfer the following day, as appropriate.
- 4.4.2 Audit review of the previous month's cashfac transactions for a sample of 25 deputies clients identified that one-off payments and the initial payment of a regular transaction required three levels of control - one person inputting, one reviewing the transaction and another one authorising it. All three officers in the process needed to be different. Anyone within the deputy's team with cashfac access was able to undertake any of the three roles, including junior staff members. It was noted that officers reviewing/releasing payments for the day were unable to review all transactions and therefore would look for any anomalies. It was unlikely that inputting errors, other than where there were significant amounts involved, would be picked up by this process, for example, payments to incorrect bank accounts (Rec 7).
- 4.4.3 Supporting documentation for transactions was not always located on i@w nor was there always a relevant note detailed on the clients' Caspar record (Recs 3,5). In addition, there was one instance where a personal allowance was paid to carers for their expenses; however, a request for the provision of an expenses log and receipts to verify expenditure had not been fulfilled at the time of audit testing (Rec 5). Review of a sample of five appointees clients identified that there was also a lack of supporting paperwork for financial transactions in a few instances (Rec 5). This was also observed in a sample of transactions taken from Caspar for deputies and appointees. There was one instance where a note on the client's Caspar record detailed that £2.5k had been collected from the client's brother but only £2.25k has been credited to the client's Caspar account; no copy of the receipt provided to the brother had been located (Rec 5). It was also noted that there was not a clear, documented scheme of delegation although internal audit were informed that anything in excess of £1k had to be approved by the Assistant Director, with anything below that approved by the Deputy's Office Manager or one of the seniors in her absence (Rec 5).

- 4.4.4 During transaction sampling, it was noted that a client's contribution to care fees had been paid twice in one instance. Discussion with the Deputy's Office Manager identified that there had been an issue relating to the invoicing of these by RBC's Accounts Receivable team. Initially, the deputies had received invoices for care contributions including for clients who already had direct debits in place, resulting in payment being made twice in some instances as a manual payment was made in addition to the direct debit. However, invoices were now marked as being paid by direct debit to try to avoid this. However, this had resulted in some invoices not being paid at all as invoices were marked up as being paid by direct debit when they were in fact paid manually.
- 4.4.5 It was noted that progress on cases was discussed with officers at their one-to-ones with the Deputies Office Manager. However, this had not necessarily involved reviewing various systems to ensure that they had been updated to reflect progress. A spot check was planned on this going forward.
- 4.4.6 Personal allowances were set up as regular payments and therefore only required the aforementioned three levels of authorisation when they were initially set up. After that, they were automatically processed as a regular payment. Where extra allowances were required, a request was received via telephone or email. It was verified with the Office Manager prior to being processed as a one-off payment through cashfac and also input onto Caspar. Transfers between clients' accounts (inter-account transfers) did not require a separate individual from the inputter to authorise them although any external transfers did.
- 4.4.7 Review of personal allowances paid for a sample of deputy and appointee clients identified that there was a lack of supporting evidence for one payment (Rec 5). In addition, some transactions on clients' Caspar accounts had both debits and credits on the same line, sometimes for unrelated items and others where both the debit and credit was for zero or there were blank line descriptions or incorrect allocation of the type of item. There were also several instances where it appeared payments may have been made twice (Recs 5,6). Further discussion identified that these related to a number of issues, including the misrecording of income as expenditure and vice versa on Caspar and the subsequent incorrect reconciliation with cashfac. Since identification of the various issues, the Deputy's Team were working to review and rectify them.
- 4.4.8 There were also instances where allowances were paid to clients' personal bank accounts, a care home or care providers' bank accounts and these were unable to be verified. Discussion with the Deputy's Office Manager identified that where care homes received clients' allowances, a log of expenditure would be provided to the deputy's team with associated receipts. It would be reviewed by a team member and receipts seen ticked off on the log. The log would be retained but the receipts once reviewed would not be. It was noted that it was up to clients how they spent their personal allowance. Where clients were supplied with their personal allowance, no check would be made on how this was spent as they were deemed to have the capacity to know that they received an allowance, the frequency with which they received it and the amount. However, audits would be conducted on

personal allowances where a client had lacked capacity, for example, supported living where someone received the allowance on their behalf.

- 4.4.9 There was a monthly process of reconciling clients' Caspar and cashfac virtual accounts. Review of a sample of 25 deputies and five appointees found that there were seven deputies and two appointees where the reconciliation between Caspar and cashfac did not agree. These related to transfers from clients' Lloyds CBO card accounts which had not been reflected in Caspar (Rec 8), other DWP income not reflected on Caspar and a bank account balance transfer of c£57k which had been incorrectly reflected as an expense rather than income on Caspar. As detailed earlier, this related to the misrecording of income and expenditure and subsequent incorrect reconciliation with cashfac (Recs 5, 6).
- 4.4.10 The majority of clients had a Lloyds virtual bank account in cashfac and a card running off their account. The personal allowance was tailored to each individual and what worked best for them in terms of amount and frequency of allowance. Bank cards should be audited regularly and any accounts with balances in excess of £500 identified and the balance transferred back to their main account to protect their money, other than if there was a specific reason for the increased balance. Review of a sample of 25 deputies and five appointees identified that for deputies the majority either had no card account, a card account with no transactions within it or a balance that either did not exceed £500 or only for a specific reason. There was one instance where an account had a balance in excess of £500 for a holiday; however, the balance had been transferred back to the client's cashfac account leading to a money shortage on holiday. In addition, five card accounts had transfers back to their cashfac account which in three cases were not all recorded on Caspar (Rec 6). No issues were identified on the appointee cards sampled.
- 4.4.11 It was noted that there did not appear to be reconciliations conducted between clients' CBO card, cashfac and Caspar accounts to ensure personal allowances were appropriately reflected nor were any reconciliations carried out between the Lloyds CBO pool deputies and appointees accounts and clients' cashfac virtual accounts to ensure that all income/payments received/made had been allocated to clients virtual cashfac accounts (Rec 8).
- 4.4.12 No evidence was located during internal audit testing of the team carrying out actions they were not sanctioned to do by the Court of Protection.
- 4.4.13 The cashfac suspense account was reviewed daily and an allocations spreadsheet used detailing allocations. Generally, payments/income were allocated automatically to clients cashfac accounts via rules but those that were not auto allocated went to the cashfac suspense account. Relevant emails were kept in the Officer's Outlook in-tray and then deleted once the transaction had been allocated (Rec 9). It was noted that there was one instance identified during income testing (4.3.14) where a client's occupational pension had been incorrectly allocated out of suspense to another client's account. This had highlighted that there was not always an appropriate investigation being conducted for items in suspense prior to them being reallocated (Rec 9).

- 4.4.14 Discussion with the Deputies Office Manager identified that the team had decreased the amount of cash held in the office since the last audit as well as the frequency with which trips to the bank to obtain cash were made. A maximum of £7k was held in the office and collected from the bank a maximum of once a month at the time of audit testing; at the time of the last audit in 2017, £15k was being collected once a week. The majority of clients now held bank cards rather than receiving personal allowances in cash. However, it was noted that details of clients' cards were retained in some cases and used by officers - these were held in a secure spreadsheet.
- 4.4.15 The majority of the cash was held in the safe in the deputy's office, with a small float (maximum £500) held in the mayor's safe for use by reception when clients came in for cash. The deputy's office safe was opened by a key which was kept in a key safe in the deputy's office with access controlled by number combination. The senior officers had received a reminder to change the key safe combination every four weeks (note until audit enquiry this had not been carried out on a regular basis). The cash was audited each time the safe was opened.
- 4.4.16 In relation to the cash held on the ground floor of the civic for reception, when there was a request for cash from a client, reception contacted the deputy's team to authorise the payment. A form was then signed by the client or their representative when they visited the civic for cash, they retained a copy and a further copy was then given to the deputy's team to allow the allowance to be processed through the banking system and scanned onto the client's i@w record. For the majority of cash personal allowance payments reviewed during internal audit testing, a copy of the signed form was located on i@w. A weekly reconciliation of the cash held for reception was carried out and the amount topped back up to £500. Internal audit carried out a cash count of monies held in the deputy's office safe, which agreed to the amount on cash float spreadsheet. It was also noted that the deputy's team were also holding the social care fund. It had not been accessed recently, the purpose of it was unclear as was whether others within the directorate were aware of its existence. This amounted to £280, which again was verified via a cash count by internal audit.
- 4.4.17 It was noted that a few items of former clients' property were still held by the deputy's team in the safe, inherited from deceased clients' estates. Testing of the list to the contents of safe confirmed that all items on list were held plus a few additional sundry items for one individual. The Deputy's Office Manager had approached legal for advice on the approach to be taken with this. Advice was, that if reasonable steps had been taken to locate beneficiaries and had been unsuccessful, the items could be donated to charity.
- 4.4.18 Annual reviews were conducted on the anniversary of the court direction being awarded for deputies (no review for appointees). Annual reports to the OPG were submitted based on these reviews. Annual reviews were carried out by all members of the Deputy's team (other than one of the Deputy's Office administrators) and allocated to Officers by the Office Manager. A spreadsheet was maintained of

clients, the date of their last review, and when reviews were due and completed on the deputy's shared drive (Rec 2). The process was used to review the service and whether the support provided by the deputy's team was appropriate, the client's budget and whether it was still appropriate or needed to be amended. Review of a sample of ten annual reviews identified that there was evidence of a review being conducted i.e., notes from the meeting in all but one case and reports had been submitted to the Office of the Public Guardian (OPG) (noted that some in sample were not due to submit 2022 reports yet). There were some instances where bank balances as per the OPG report did not appear to agree to Caspar for the period and a lack of evidence in some instances that gas, electrical safety, PAT testing and fire alarm certificates were obtained. It was noted that whilst there were various templates in place, the process was not documented as such (Rec 10).

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#### 4.5 FORMER DEPUTIES AND APPOINTEES

- 4.5.1 It was noted that this was an area where there had been a significant increase since the start of the pandemic. Deputies staff worked on deceased clients from their passing to completion of their estates. When a client passed away, the OPG and COP must be contacted to inform them that the client had died and provide evidence of death to OPG plus a copy of COP9. The notification would be acknowledged by the OPG, together with a request for any further action required.
- 4.5.2 There was a documented procedure in place for deceased clients although this needed to be reviewed to reflect the current process and detail a clear process to be followed (Rec 1). It would also benefit from professional input, where appropriate, such as from the Council's Legal Team, to ensure that relevant legislation was met (Rec 1). In addition, there was a checklist that had been drafted for the process; however, it was noted that this was not used currently. One of the Deputies Officers worked on deceased cases from when the client passed to estates completion.
- 4.5.3 At the time of audit testing, this process was spreadsheet-based and not workflowed, with progress monitored via notes and therefore subject to error and omission (Rec 2). Documentation was usually received in hard copy via the post, scanned in the office and emailed to the Officer working in this area. They would then use the Office Connect app in Outlook to transfer the document(s) to i@w. However, it was noted that the app was not currently working. This then led to the Officer working on clients on a mixture of emails saved in their Outlook inbox and hard copy documentation located unsecured at home until work was complete on the client when they were returned to the office for scanning (Rec 11). It was noted that this posed a GDPR risk as well as risk of loss of information to fire and theft plus lack of ability for effective management oversight of progress. There was a risk that key information would be unable to be accessed/lost in the case of unexpected Officer absence/departure. In addition, the Officer had a separate version of the spreadsheet which was then used to update the master document

(Rec 2). In light of this, detailed internal audit testing in this area was unable to be conducted nor an opinion offered in this area.

4.5.4 Review of a Caspar report identified that twelve clients were marked as deceased in 2022 on Caspar. Walkthrough testing of one of these deceased clients found a lack of documentation on i@w and a lack of details on the central spreadsheet as to the action that had been taken. Various actions were noted on Caspar although there was a lack of audit trail to support these in the majority of instances (Rec 11). In light of this (as detailed above), further testing was not conducted. However, due to the various aspects involved in the process for former deputies and appointees, it is recommended that appropriate specialist advice (for example from the Council's Legal Team) is taken, as appropriate, to ensure that all relevant legislation and best practice is met (Rec 1).

4.5.5 Fees for work on former clients were charged at a flat rate per hour. However, charges were calculated based on a flat fee for each type of service provided to a client; no record was maintained of the amount of time spent working on each case.

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#### 4.6 MANAGEMENT OVERSIGHT

4.6.1 Due to the manual nature of the processes and multiple spreadsheets, it was difficult for effective management oversight over all the team's processes. As detailed previously, junior staff were solely office based and senior staff were on a duty rota to work in the office and supervise them.

4.6.2 Discussion identified that the service's budget was reviewed on a monthly basis by the Deputy's Office Manager, with information provided by the DACHS Finance Business Partner. The Assistant Director for Safeguarding, Quality, Performance and Practice also received these reports as well as exception reports which were discussed with the Strategic Finance Business Partner. It was noted that income targets for the team were based on an estimate of the number of clients, their level of savings and hence the amount that could be charged in fees. However, there was a degree of uncertainty as to if and when a court direction for deputyship would be granted and also clients' level of savings, which were decreasing, thereby reducing the amount that could be charged in fees.

4.6.3 As detailed previously, a project was underway to assess current appointees to determine whether the level of support they received was appropriate or whether there was a need to apply for deputyship (4.3.22). Part of the annual review process for deputies included review of the service being provided (see 4.4.18).

4.6.4 Reporting to Committees such as the Care Quality Board and DMT occurred on an ad hoc basis.

4.6.5 At the time of audit review, all Lloyds CBO bank account signatories for deputy and appointee accounts were current RBC staff. Review of a report detailing CBO user permissions identified that at the time of audit testing one individual had access

whilst being on long-term sickness absence. The majority of officers had access roles five and eleven. This meant that they were able to view and make payments for all accounts (but not make inter-account transfers) and approve all payments. One volunteer was able to view selected accounts and make payments and inter-account transfers from them and approve inter-account transfers, another volunteer was able to view, make and authorise payments on all accounts although not inter-account transfers (Rec 7).

- 4.6.6 There was one former deputies team member who still had access to cashfac at the time of the audit. It was noted that cashfac access was based on standardised roles with all team members being able to set up and approve payments (Rec 7). It was noted that all team members had access to enquiry and data entry on Caspar, with three officers also having access to period procedures.

## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

<b>TO:</b>	<b>Audit and Governance Committee</b>		
<b>DATE:</b>	<b>24 January 2023</b>		
<b>TITLE:</b>	<b>Corporate Peer Challenge - Report and Action Plan</b>		
<b>SERVICE:</b>	<b>Policy, Performance and Customer Services</b>	<b>WARDS:</b>	<b>ALL</b>
<b>LEAD OFFICER:</b>	<b>Andrew Withey</b>	<b>TEL:</b>	<b>72414</b>
<b>JOB TITLE:</b>	<b>Data Intelligence and Policy Manager</b>	<b>E-MAIL:</b>	<b>Andrew.Withey@reading.gov.uk</b>

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

- 1.1 To inform committee of the outputs of Local Government Association (“LGA”) Corporate Peer Challenge that took place over 13-16 June.
- 1.2 This report includes the detailed report setting out the findings and recommendations prepared by the LGA (“Final Report”) and the Action Plan developed in response.
- 1.3 Appendix 1 - LGA Peer Challenge - Final Report  
Appendix 2 - Action Plan

#### 2. RECOMMENDED ACTION

- 2.1 **Note the LGA Corporate Peer Challenge Final Report.**
- 2.2 **Note the Action Plan as the mechanism for implementing the recommendations included in the Final Report.**

#### 4. THE PROPOSAL

- 4.1 The Corporate Peer Review was carried out at the Council’s request over 13-16 June 2022 by a team of 6 experienced peers from different councils and organisations.
- 4.2 Onsite interviews and focus group discussions were held with Council members, staff and partners - the team met with nearly 120 stakeholders in total.
- 4.3 Initial feedback of the Peer Team’s findings and recommendations was presented on 16 June 2022 to members and senior officers. The Final Report received from the LGA on 23 September 2022 is attached as Appendix 1.
- 4.4 Based on the recommendations in the draft report, an plan has been developed which sets out the Council’s response and the actions it will take in response to the recommendations and opportunities for improvement included in the Final Report. To make the Action Plan more accessible as a stand-alone document each of the recommendations is prefaced by a short summary of the context based on the full report. The Action Plan is attached as Appendix 2.

- 4.5 The Council's Corporate Management Team is providing oversight of delivery of the Action Plan and is currently in the process of reviewing the plan.
- 4.6 As a follow up to the Peer Challenge the LGA also offer a return revisit to the Council for a 'check-in' session, with this providing the opportunity for the Council's senior leadership to update peers on its progress against the related improvement planning and discuss next steps.

## 5. **BACKGROUND PAPERS**

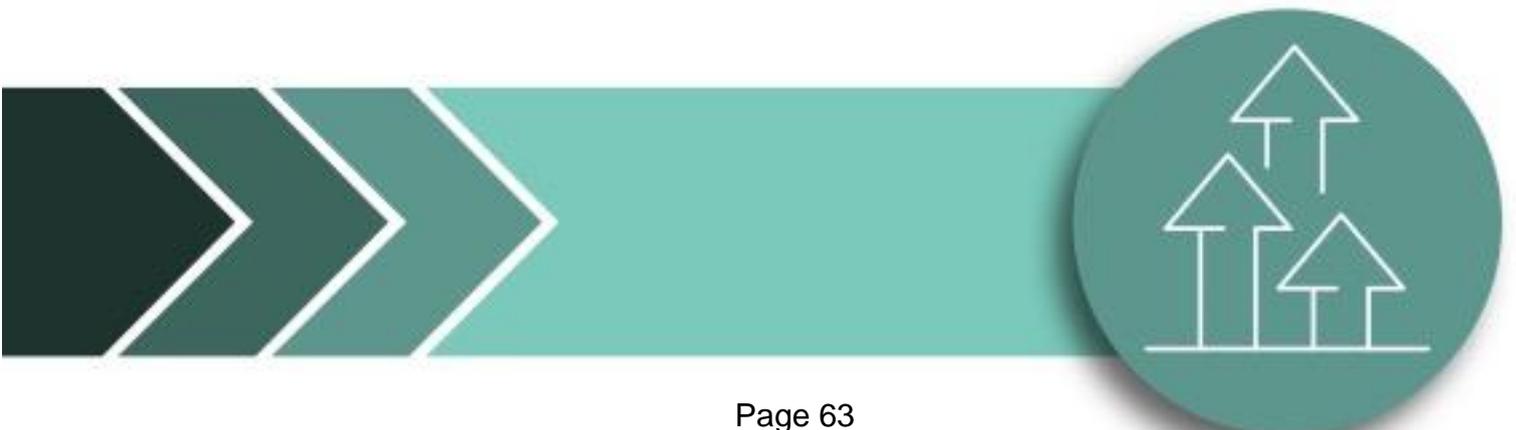
- 11.1 None

# LGA Corporate Peer Challenge

Reading Borough Council

Monday 13<sup>th</sup> to Thursday 16<sup>th</sup> June 2022

Feedback report





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# 1. Executive summary

There is much for the council and its leadership to be proud of around what the organisation has delivered in the last few years, including supporting its communities through the pandemic and dealing with a number of major incidents in the borough. Investment has been made by the council in key infrastructure developments and there is much happening across Reading which is transforming the ‘townscape’. However, inequalities within the borough are significant and tackling these is becoming increasingly recognised as a priority.

Tremendous hard work has gone in to ‘stabilising’ the organisation in recent years. What has been achieved has necessitated the council having a strong internal focus over the last few years. The council owes a significant debt of gratitude to the retiring Chief Executive for his absolutely pivotal role in bringing the necessary stabilisation and improvement about.

The change in Chief Executive forms part of a crucial juncture for the council over the coming months. This could be deemed ‘a reset point’ and is a positive culmination of the efforts and achievements of recent years. There are various elements to the ‘reset’. A crucial one is ensuring the senior political and managerial leadership of the council becomes much more externally focused over the coming months.

There are very few councils that wouldn’t be envious of Reading’s many advantages and opportunities, both as a place and as a council. There is currently a ‘window of opportunity’ to enable fundamental and profound change in the lives of the residents of the borough under the emerging ‘tackling inequalities’ agenda. The opportunity and need to supplement the on-going ‘place-based and townscape’ agenda with a drive focused on people and inequalities must be grasped – and the council needs to lead this. Delivering it requires strength and clarity of political leadership.

The council’s ‘hybrid’ governance model is well-established, seen to work for the council and is valued and supported. Certain aspects are appropriate to be reflected upon and refined and work is underway on this. It is important that the opportunity is provided for all key internal stakeholders to input to this. We would also encourage the council to take the opportunity to consider how the statutory requirements around

overview and scrutiny, and the opportunities this key governance function provides, are approached going forward.

Elected member development is an area that offers real opportunities. We would expect a council of the scale and importance of Reading to have a comprehensive programme that supports councillors in all of their different roles. Within this, it is crucial that all elected members are supported to be fully aware of their statutory responsibilities.

There needs to be an environment in which there is greater 'constructive challenge' in the governance system and the officer/member relationship, with this founded upon mutual trust and respect and focused on enhancing delivery and addressing politically-set priorities. It feels as though a 'recalibration' of the approaches and relationships here would be beneficial.

There is extensive engagement between the senior leadership of the Administration and senior officers. Such engagement is beneficial in shaping what enters the formal elected member decision-making arena. However, the lead-in times and 'the number of hoops to jump through' in Reading as things move towards formal decision-making feel to be greater than elsewhere. It will be important to reflect upon where the approaches could potentially be refined.

It is absolutely crucial that children's services – in the form of senior officers from 'Brighter Futures for Children' – are engaged much more fundamentally at the strategic level of the organisation. There is good working and engagement seen to be taking place at the delivery level but there is a gap in more strategic-level arenas.

The council's financial position and financial management arrangements have recovered and strengthened significantly in recent years but the financial base, whilst sound, remains vulnerable.

The results of recent staff surveys are very positive and provide a sense of people enjoying their work; working well together; being clear about how they contribute to the council's objectives; feeling respected and valued; and being proud to work for the organisation. The TEAM Reading values have a high profile in the organisation

and are well understood. The focus on them must be maintained and pushed harder in order to ensure they become fully embedded and support the increase in cross-organisational working that is required.

Real managerial grip and rigour have had to be applied to the organisation in recent years in order to secure the necessary 'stabilisation'. A revised approach now feels appropriate – one which maintains the necessary and established rigour, disciplines and controls whilst providing for greater autonomy.

The council is seen to be an ambitious organisation. People spoke of the challenges that the level of ambition generates, given the finite resource available. From this emerge two fundamental considerations around the use and prioritisation of existing resource and leveraging additional resource through the maximising of influence.

## 2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

- Capitalise fully upon the 'reset point' that has now been reached, particularly in relation to the following:
  - Ensure absolute clarity in relation to what is being sought in appointing a new Chief Executive
  - Ensure the senior political and managerial leadership of the council becomes much more externally focused
  - Adopt a revised managerial approach which maintains the necessary organisational disciplines but also provides for greater autonomy – as seen during the pandemic
- Capitalise fully upon the 'window of opportunity' that currently exists to enable fundamental and profound change in the lives of the residents of the borough, particularly in relation to the following:
  - Developing a politically determined narrative and vision around 'tackling

inequalities'

- Developing a much deeper engagement with, and understanding of, Reading's diverse communities
  - Establishing a shared understanding and a shared endeavour across a multiplicity of partners and Reading's communities in tackling inequalities
  - Maximising the council's influence locally, regionally and nationally
  - Collectively determining, with partners and communities, what needs to be undertaken to tackle inequalities and ensuring this is translated into tangible action
- Expedite the work reviewing the Constitution and Delegations Register and, in the process, ensure the opportunity is provided for key internal stakeholders to input fully
  - Develop understanding of, and challenge, the factors that generate the lengthy lead-in times and extensive number of 'hoops to jump through' in the council's governance processes
  - Establish a comprehensive elected member development programme that supports councillors in all of their different roles and ensures they are fully aware of their statutory responsibilities
  - Ensure that children's services have the opportunity to be engaged much more fundamentally at the strategic level of the organisation
  - Ensure the continuation of the rigour and disciplines necessary to deliver the agreed savings and income generation plans and maintain wider financial controls – in a context of the council's sound financial base remaining vulnerable and the pressures and risks around this
  - Continue the work to fully embed the TEAM Reading values

## 3. Summary of the peer challenge approach

### 3.1. The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- Denise McGuckin, Managing Director, Hartlepool Borough Council
- Councillor Nesil Caliskan, Leader, London Borough of Enfield
- Duncan Whitfield, Strategic Director of Finance and Governance, London Borough of Southwark
- Rebecca Peck, Assistant Chief Executive, West Northamptonshire Council
- Richard Harries, Associate Director, Institute for Community Studies
- Francis Saukila, National Graduate Development Programme trainee on placement with the LGA (shadowing capacity)
- Chris Bowron, Peer Challenge Manager, LGA

### 3.2. Scope and focus

The peer team considered the following five themes which form the core components of all corporate peer challenges. These areas are critical to councils' performance and improvement.

1. **Local priorities and outcomes** – Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities?
2. **Organisational and place leadership** – Does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. **Governance and culture** – Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?

4. **Financial planning and management** – Does the council have a grip on its current financial position? Does the council have a strategy and a plan to address its financial challenges?
5. **Capacity for improvement** – Is the organisation able to support delivery of local priorities? Does the council have the capacity to improve?

### 3.3. The peer challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure that they were familiar with the council and the challenges it is facing. The team then spent four days onsite in Reading, during which they:

- Gathered information and views from more than 40 meetings, in addition to further research and reading
- Spoke to more than 150 people including a range of council staff, elected members and external stakeholders

This report provides a summary of the peer team’s findings. In presenting feedback, they have done so as fellow local government officers and members.

## 4. Feedback

### 4.1. Local priorities and outcomes

The council has a vision, reflected in its 2022-25 ‘Investing in Reading’s Future’ corporate plan “to help Reading realise its potential and to ensure that everyone who

lives and works here can share the benefits of its success". The plan, with its three themes of healthy environment, thriving communities and an inclusive economy, was agreed in March this year and has a high profile and good level of understanding amongst elected members and staff.

There is much for the council and its leadership to be proud of around what the organisation has delivered in the last few years. This includes establishing a growing national reputation around the climate change agenda – reflected in being included as one of only 11 places in the UK on an international 'A' list of 95 cities classed as taking 'bold climate action'. The council, with its partners, has also supported its communities through the pandemic, including setting up and supporting testing and vaccination centres; distributing over £50m of government support to businesses in the locality; establishing the Reading Community Hub; and assisting thousands of residents whilst they were shielding. The council has also been involved in dealing with a number of major incidents and their aftermath, including the Forbury Gardens terrorist attacks in June 2020 and the deadly fire at Rowe Court in December 2021.

Also, investment has been made in key infrastructure developments, elements of which have involved addressing a backlog built up over many years. This includes £9m of expenditure in the last few years on road and pavement repairs, which is being supplemented with £8m of further investment over the next three years. Investment is also being made in the transport infrastructure, including a new railway station at Green Park, the refurbishment of Reading West railway station, bridge strengthening and the installation of electric vehicle charging points. The council has also secured £26m of government funding to deliver bus service improvements. New or improved leisure facilities are being provided, such as a new leisure centre at Rivermead; a new community swimming pool at Palmer Park to supplement the existing sports facilities there; and improvements to the South Reading and Meadway leisure centres. £36m is being invested annually in enhancing the fabric of local schools.

Over the last four years, the council has built 300 affordable homes, taking its housing stock to over 7,000 properties. There are plans to deliver around 350 more affordable homes over the next three years through an investment of nearly £90m. Included within this investment will be new sheltered housing for older people and accommodation for key workers. £34m is also being spent in the period up to 2030

on low carbon measures to improve energy efficiency in council homes.

In commissioning the corporate peer challenge, the council indicated that they would welcome the peer team considering the authority's approach to 'social inclusion'. This theme featured prominently in our discussions, although the language of 'tackling inequalities' emerged as a phrase and concept that people seemed to be able to relate to more easily than 'social inclusion'. However it may be termed, it is clear that this area of focus is becoming increasingly talked about in the organisation.

Inequalities within the borough are significant, including:

- Reading being ranked as the third most unequal 'city' nationally in terms of wealth distribution, according to a 'Centre for Cities' report
- Five neighbourhoods in the borough being within the 10% most deprived in England
- Gross annual salary levels for people living in Reading being lower than the South-East average
- A difference in life expectancy of around seven years for men and over eight years for women between the most affluent and most deprived areas of the borough
- Whilst educational attainment in Reading schools is seen to be good, this masks a picture of lower attainment amongst children living in the borough, particularly those eligible for free school meals – in a context of a significant influx into Reading schools each day of children from outside the locality

In service delivery terms, the council's performance is largely 'in the pack' when compared to councils serving similar areas. The following reflects performance information drawn from the LG Inform system that the Local Government Association hosts for the sector. The data is the latest available, which is from 2020/21, and the comparator group ('nearest neighbours') are the fifteen other unitary councils nationally that Reading is deemed by the Chartered Institute of Public Finance and

Accountancy (CIPFA) to be most similar to.

Areas where the council can be seen to be performing well include:

- The percentage of young people aged 19 to 21 leaving the council's care who are in suitable accommodation
- The processing of minor planning applications
- The percentage of adults who are active (involving being engaged in more than 150 minutes of physical activity per week)

Areas that the council needs to be mindful of include:

- The percentage of children becoming the subject of a child protection plan for a second or subsequent time
- The percentage of young people aged 19 to 21 leaving the council's care who are in education, employment or training
- The processing of major planning applications

On most other performance measures recorded within the LG Inform system, Reading appears around the middle within its 'nearest neighbours' group.

#### **4.2. Organisational and place leadership**

There is widespread recognition internally and externally that tremendous hard work has gone in to 'stabilising' the organisation in recent years. This stabilisation is reflected not least in the council's strengthened financial position, enhanced corporate functions and stable and high calibre senior management cohort. It is fully understood both by people within the organisation and amongst external stakeholders, that what has been achieved has necessitated the council having a strong internal focus over the last few years. The council owes a significant debt of gratitude to the retiring Chief Executive for his absolutely pivotal role in bringing the

necessary stabilisation and improvement about.

A change in Chief Executive is a key moment for any local authority and in Reading it forms part of a crucial juncture over the coming months. This could be deemed ‘a reset point’ for the council and is a positive culmination of the efforts and achievements of recent years. It includes the various aspects of the stabilisation and improvement of the organisation that has been driven and the benefits being derived from the ‘place-based and townscape’ agenda that has been being delivered. There is also a coinciding with the move into the post-pandemic period. There are various elements to the ‘reset’ that we outline at relevant points within this report. A crucial one is ensuring the senior political and managerial leadership of the council becomes much more externally focused over the coming months – something which partners, both locally and regionally, would universally be welcoming of. This is essential if the ‘tackling inequalities’ agenda is to be effectively shaped, gather momentum and deliver.

Much is happening across Reading which is transforming the ‘townscape’. Examples include the Station Hill development; the £1.6m of external funding being invested in the High Street Heritage Action Zone across three conservation areas in the town centre; ambitions for transforming the Minster Quarter; and emerging plans for major sites to the north of the main railway station. The Leader has been keen to promote an extended focus on ‘place’ which goes beyond the town centre too.

There are very few councils that wouldn’t be envious of Reading’s many advantages and opportunities, both as a place and as a council. The borough has a growing economy, with the Centre for Cities 2021 City Monitor identifying it as being in the top ten cities for business numbers, Gross Value Added (GVA) and the level of qualifications held by people living locally. It consistently ranks first in the ‘Good Growth for Cities’ index and Reading has also been identified as one of the cities best placed to deliver economic recovery from the pandemic. The town has excellent connectivity to the rest of the UK and links to the centre of the capital and Heathrow will be further enhanced with the full opening of the Elizabeth Line. The borough can also ‘face’ in a variety of directions to capitalise upon different economic geographies, from the Thames Valley Berkshire Local Enterprise Partnership area in the immediate vicinity to the ‘Cambridge Oxford arc’ and ‘Western Gateway’ which, although geographically more distant, offer opportunity.

As a council, the recovered and strengthening financial position stands it in good stead, as does the stabilised and high calibre senior management cohort that has been contributed to through the recruitment that has taken place in recent years at Director and Assistant Director level. There has been political stability in the authority over many years and the recent all-out elections reinforced the Administration's strong majority and mandate. The council is, of course, the only body locally with the democratic mandate to take Reading forward.

Thus, the council is perfectly placed to capitalise upon the borough's advantages and opportunities in order to drive the emerging 'tackling inequalities' agenda and it is right that the organisational vision is around fulfilling the potential of the borough. There is currently a 'window of opportunity' to enable fundamental and profound change in the lives of the residents of the borough under the emerging 'tackling inequalities' agenda. Elements central to this 'window' include the democratic mandate reinforced by the local election; the enhanced community spirit brought about by the pandemic and other major events that have impacted the borough; the positioning of the borough for economic recovery from the pandemic; and the council's stabilisation. There are also certain negative drivers that form part of this 'window' and necessitate action, including the increased disparities that the pandemic is widely seen to have generated and the growing 'cost of living' crisis.

The opportunity and need to supplement the on-going 'place-based and townscape' agenda with a drive focused on people and inequalities must be grasped in this 'window of opportunity' – and the council needs to lead this. Delivering it requires strength and clarity of political leadership in order to establish a shared understanding and a shared endeavour across a multiplicity of partners and Reading's communities. The wider elected membership, council staff and partner organisations are fully committed to the agenda and keen to make an impact. They need to be able to align behind, and focus their efforts upon, a clear vision and common purpose for tackling inequalities – at the heart of which lie people. To this end, the development of a politically determined narrative and vision around 'tackling inequalities' represents a very clear and important starting point. This needs to be followed by the council, with partners and communities, collectively determining what needs to be undertaken to tackle inequalities and this then needs to be translated into tangible action.

Fundamental in the tackling of inequalities is the development of a much deeper engagement with, and understanding of, Reading's communities. The borough population is richly and increasingly diverse, reflected in 35% of the population (according to the 2011 Census) being from a Black and Minority Ethnic (BAME) background – representing the third highest proportion in any council area in the South-East. Current statistics show the level of diversity amongst primary and secondary school children as being even greater, with 58% and 59% of those populations respectively being from a BAME background. Our discussions with people internally and externally gave a sense of a council that needs to enhance significantly its understanding of its changing communities and sit this at the heart of policy formulation, service design, the way the place is being shaped and the emerging 'people-based' agenda. Engagement is key in developing the necessary understanding and elected members have a particularly vital role to play in this.

Maximising the council's influence locally, regionally and nationally will also be important. This links to what we touched on earlier regarding the council's senior leadership, both politically and managerially, needing to become much more externally focused. Reading as a borough is unlikely to 'stand or fall' based upon what takes place within the civic centre. Rather, its' success will be determined by how effectively the council engages with others to secure the attention, support and investment necessary for Reading to fulfil its potential as a place crucial to the success of Berkshire, the Thames Valley and the UK and to tackling the inequalities that exist.

The voluntary and community sector, which comprises more than 1,000 organisations in Reading, has a key role to play in the borough, including in relation to the tackling of inequalities. The council commissioned an independent review of its partnership working with this sector and this was undertaken last year. The feedback we received was that this review was seen as a constructive piece of work that offered valuable insights and steers around developing an improved relationship between the sector and the council; creating the conditions for better joint working outside of a funding relationship; and responding to shared challenges for Reading's communities, particularly those less advantaged.

In the intervening period since the independent review, the council has reshaped its commissioning approach with the sector. The intention was to establish a more

outcomes focused model to better enable the sector to bring their knowledge and creativity to bear in closing the equalities gap and addressing the underlying causes of deprivation. This has seen 39 contracts, worth around £1.3m in total, being re-tendered under the 'Closing the Gap' (with the title referring to the ambitions around reducing inequalities) commissioning framework. Whilst such a change would cause uncertainty and instability in any such sector anywhere, it was clear from our discussions that the impact in Reading has been significantly more negative than would have been desired, as a result of the approach taken. There is now much to be done to get the council's relationship with the sector back on an even keel. It is also important to recognise that the sector, whilst having a fundamental role to play, is not a panacea for addressing inequalities. They cannot do it all by themselves and the council will be required to play a fundamental role, both as deliverer and enabler, over a sustained period lasting many years.

#### **4.3. Governance and culture**

There is a culture of constructive and collegiate working between the different political groups across the elected membership. This is reflected, for example, in the range of cross-party advisory, special interest and consultative bodies that exists, such as the Civic Board; Access and Disabilities Working Group; Alliance for Cohesion and Racial Equality; Arts and Heritage Forum; and Cleaner Air and Safer Transport Forum. There are positive relationships amongst councillors generally, founded upon mutual respect.

The council operates a 'hybrid' governance model. This primarily reflects the 'Committee System' in local government, in the form of the four standing committees for Adult Social Care, Children's Services and Education; Housing, Neighbourhoods and Leisure; Strategic Environment, Planning and Transport; and the Policy Committee chaired by the Leader. There are also aspects of the 'Executive Model' of local government woven in to this hybrid model, particularly the role of 'Lead Member', which bears similarity to that of cabinet portfolio holders elsewhere. The standing committees carry the overview and scrutiny responsibilities of the authority. Reading's model of governance is well-established, seen to work for the council and is valued and supported.

There has been recognition that certain aspects of the council's governance are appropriate to be reflected upon and, consequently, work is underway reviewing the Constitution and the Delegations Register. This review, however, is very much focused on the refinement and streamlining of what exists – with the aim of making what is laid down in writing easier to navigate – rather than changing any of the fundamentals of how the council is governed. Whilst this work is thus relatively narrow in scope, it is important that it becomes more widely known about and that the opportunity is provided for all key internal stakeholders to input. From our discussions, there was a sense of the review being seen as a 'technical' exercise delivered from within the legal and governance domain of the council and this needs to be broadened out in terms of involvement. It is also important that the review comes to a conclusion relatively soon given the importance of what is being done and the fact that the review has already been underway for a while.

We would also encourage the council to take the opportunity to consider how the statutory requirements around overview and scrutiny and the opportunities this function provides are approached going forward. Whilst the council's responsibilities in relation to this key aspect of governance are vested in the standing committees, including the statutory requirements around external scrutiny in relation to the likes of health and crime and disorder, scrutiny is currently seen to have a low profile within the governance workings and activities of the council.

Elected member development is another area that offers real opportunities. Whilst an induction programme has been established and delivered in the post-election period and elected members can access development opportunities through outside bodies, such as the Local Government Association, we would expect a council of the scale and importance of Reading to have a comprehensive elected member development programme that supports councillors in all of their different roles. Within this, it is crucial that all elected members are supported to be fully aware of their statutory responsibilities, including in relation to that of 'Corporate Parent'. They also need to be enabled and supported to fulfil, to full effect, the other responsibilities they carry, including monitoring and challenging council performance; delivering leading-edge community leadership; and having an awareness of emerging or changing policy at the national level in relation to key areas of the council's responsibilities such as adult social care and health.

There needs to be absolute clarity both constitutionally and in practice around the scope and responsibilities of the 'Lead Member' role. There are statutory responsibilities that sit with many of these roles, for example in relation to social care, education, public health and community safety. These are outlined in the Constitution but there would appear to be work needing to be done, particularly following recent changes at Lead Member level following the elections, to ensure they are fully understood. More generally, there is a sense of some blurring in relation to the remit of Lead Members relative to that of Committee Chairs and a need to ensure Lead Members remain focused on shaping strategic direction and not becoming engaged in operational matters.

There is a theme regarding how the council engages with and supports elected members generally. Things cut both ways here, with there being scope both for council officers to enhance the way in which councillors feel supported and for elected members to ensure they don't move into professional and operational domains. One example of what we are touching on here is councillors having very mixed experiences regarding officer responsiveness to ward-based casework issues that they bring forward, whether through the formally established casework management system or more informally. Another is councillors feeling reluctant to make requests for support, such as the setting up of ward surgery meetings, because of capacity pressures they feel officers are under.

From the other perspective, elected members spoke to us about a reluctance sometimes to challenge officer advice and organisational performance. This feels to be part of a legacy issue stemming back a number of years to when the council was felt to be more 'officer-led'. This needs to be balanced alongside a perspective, held by some officers, of professional advice sometimes being 'second guessed' by councillors.

Fundamentally, there needs to be an environment in which there is greater 'constructive challenge' in the governance system and the officer/member relationship, with this founded upon mutual trust and respect and focused on enhancing delivery and addressing politically-set priorities. It feels as though a 'recalibration' of the approaches and relationships here would be beneficial, with a good starting point being creating opportunities for constructive dialogue around people's experiences in order to develop better shared understanding.

There is extensive engagement between the senior leadership of the Administration and senior officers. This includes Lead Member Briefings on a monthly basis, led by the relevant Director and involving Assistant Directors as appropriate; Strategic Briefings which take place monthly to enable all Lead Members to be advised collectively on matters of policy and strategy development; Committee Briefings held monthly with Committee Chairs and Lead Members to consider forthcoming meeting agendas; and weekly Leader's Briefings, that also involve the Deputy Leader, with the Chief Executive and Directors. Such engagement is beneficial in shaping what enters the formal elected member decision-making arena.

The equivalent of these types of engagements are absolutely fundamental in any council but the lead-in times and 'the number of hoops to jump through' in Reading as things move towards formal decision-making feel to be greater than elsewhere. Officers reflected the requirement to commence drafting reports several months in advance. They also highlighted the same issue or subject sometimes needing sign-off at multiple levels, even when it is already covered within the council's policy and budgetary framework, or needing to be presented in different report formats or templates as it passes different stages. Aspects of this are inevitable and common to all councils but it will be important to reflect upon where the approaches in Reading may be more complex and could potentially be refined.

There is space and time for the extended senior managerial leadership, comprising the Chief Executive, Directors and Assistant Directors, to come together on a regular basis. This takes the form of the Senior Leadership Group (SLG) and it fulfils a valuable role. It supplements the weekly meetings of the Corporate Management Team and provides the opportunity for collective consideration of key strategic issues facing the council and the borough.

Both through SLG and more generally, it is absolutely crucial that children's services – in the form of senior officers from 'Brighter Futures for Children' (a not-for-profit company wholly owned by the council set up in December 2018) – are engaged much more fundamentally at the strategic level of the organisation. There is good working and engagement seen to be taking place across the council and 'Brighter Futures' at the delivery level but we noted the absence of the latter from more strategic-level arenas, with the obvious exception of the Director of Children's Services who operates across both organisations. This is a gap that was highlighted

during our discussions and one which people wish to see being plugged. The recently announced retirement of the Director of Children's Services represents a key moment for both the council and 'Brighter Futures' given the children's services improvement agenda and the recent change in Lead Member.

#### **4.4. Financial planning and management**

At an advanced stage in the financial year 2016/17, the council was forecasting an overspend of nearly £8m; the nature of a further £8m of savings that were required to balance the Medium-Term Financial Strategy (MTFS) had not yet been identified; and reserves were being used to balance the budget. This precarious situation prompted the council to work with the LGA to commission a CIPFA finance governance review which, subsequently, led to the establishment of a financial management improvement programme within the authority. This has included the driving, led by the Deputy Chief Executive, of an improved financial management and governance culture and framework; the commissioning of a new financial system; and the restructuring of the council's finance team.

It is clear that the council's financial position and financial management arrangements have recovered and strengthened significantly since 2016/17. £40m of savings have been achieved in the intervening period, from within a net revenue budget which stands in 2022/23 at £146m, and reserves are no longer being used to balance the budget. A long-standing issue of equal pay claims was settled shortly after the Chief Executive's commencement in post, which alleviated a potentially significant financial risk to the council. Participation in a business rates retention pilot saw the council benefit from an additional £10m of income, which was put into reserves, and budget underspends have been recorded since 2018/19, with the surplus balances also having been moved into reserves. Revenue reserves at the end of the last financial year were estimated to be £71m. Whilst this clearly reflects progress and a positive direction of travel, and the level of reserves is now classed as reasonable, the position must be benchmarked regularly against nearest statistical neighbours and continually assessed against risks.

New arrangements have created a more strategic and transformational approach to the annual budget process. Strategic financial planning is now more mature and

supported by an appropriate level of analysis, with robust budget setting and monitoring procedures. A revised three-year MTFs was agreed this year as part of the budget-setting process and the budget for 2022/23 is fully balanced. However, the council's financial base, whilst sound, does remain vulnerable. Inflation; the pressures arising from the children's services improvement agenda; and pressures within adult services (albeit with a £5m increase in funding for adult social care having been provided this year in an effort to address underlying pressures) are significant risks that must be reviewed regularly. A £6m gap remains across the period of the MTFs, although work is underway to develop the plans necessary for meeting this.

The council has a good recent record of delivering transformation and savings, with a multi-year approach and associated costs and investment met through the dedicated Delivery Fund and the flexible use of capital receipts. Fulfilment of the MTFs requires the delivery of agreed savings and income generation plans totalling just under £20m over the next three years – with £10m of this in the current year. This savings requirement covers both the council itself and 'Brighter Futures for Children'. Contingency provision is prudently built into each year of the MTFs to mitigate against possible slippage or non-achievement of higher risk savings plans. The recent creation of the Transformation and Efficiency Board provides the mechanism through which to develop a singular and corporate overview of change and transformation across the organisation and the delivery of planned related savings.

The 2018/19 accounts have just been finalised and were qualified and External Auditor sign-off of the accounts since 2019/20 is delayed. Action plans are in place to remove the qualifications in future years, with completion of outstanding audits requiring the closest attention.

The council's capital programme across the period from 2021/22 to 2025/26 totals over £430m, with £61m in the current year. The capital strategy is agreed annually at Full Council and both this and the capital programme link clearly to the corporate plan's three themes and thus the political priorities. The Treasury Management Strategy is comprehensive and reflects the borrowing decisions associated with the capital strategy and programme. The capital programme has been frozen in order to avoid increasing Minimum Revenue Provision (MRP) pressures further on the General Fund Budget and any un-freezing needs to be fully considered in the budget

setting process.

Revenue streams from the council's commercial portfolio are being maintained despite a reduction in the value of the assets. The council is aware that its MRP policy in relation to loans to wholly owned companies is not reflective of proposed government regulation and provision should be made within the MTFS to offset any cost. The council is reviewing Homes for Reading, as one of its wholly owned companies. This needs to come to fruition soon in order to provide clarity on the company's future and how the objectives it was set up to deliver will be fulfilled. The council will wish to continue to monitor its other wholly owned companies closely too in order to ensure they represent the most effective and appropriate means to achieve their objectives and maintain the council's financial viability.

#### **4.5. Capacity for improvement**

Staff across the council have worked tirelessly over a sustained period contending with the many and varied challenges that have been faced in both the borough and the organisation. The results of recent staff surveys are very positive and provide a sense of people enjoying their work (87% in 2021 and 85% in 2022); working well together (88% in both 2021 and 2022); being clear about how they contribute to the council's objectives (86% in 2021 and 89% in 2022); feeling respected and valued (75% in 2021 and 71% in 2022); and being proud to work for the organisation (80% in 2021 and 77% in 2022).

An enhanced approach to internal communications could see these results being enhanced further. Currently the emphasis is placed on weekly e-mail updates from the Chief Executive to staff and bi-monthly 'Team Talks' for managers. There is a desire on the part of the staff that we met to see increased face to face and cross-organisational engagement. The opportunity exists to build on the 'return to work' and the scope that this provides to hold events that bring people together. The technological advancements seen with the pandemic can also be capitalised upon, in the form of on-line sessions such as 'Facebook Live' events. The appointment and commencement in post of a new Chief Executive heralds the opportunity to take internal communications to the next level.

The approach to performance appraisals, with their link to training and development, is seen to have improved greatly in the last few years and a new annual review process has recently come in to being. In the 2022 staff survey, 83% of respondents indicated that they have regular one-to-one meetings and an annual review. Eighty-seven per cent agreed or strongly agreed that these sessions are constructive and enable them to discuss the issues they want to raise.

Staff that we met reflected on the opportunities they have had to progress within the council, ranging from apprenticeships to secondment opportunities and acting-up arrangements. The staff survey this year showed that 73% of respondents agreed or strongly agreed that they have opportunities to grow and develop in their role. Alongside this, however, is what people described as a lack of clarity around the formal career progression mechanism linked to gradings and the criteria which sit at the heart of that. We understand that this matter is a complex one that is closely tied to the resolution of the equal pay issue a few years ago. Whilst it may not be easy to tackle, there would certainly be benefit in the council acknowledging the issue with its staff and outlining the situation.

The TEAM Reading values were created in 2017 following the arrival of the current Chief Executive and were designed to coalesce the organisation and strengthen staff morale. The values are:

- Working Together – working as one team with colleagues and partners to deliver great services
- Driving Efficiency – driving efficiency and value for money in everything the council does
- Being Ambitious – the council being ambitious in its plans and in what the organisation wants to achieve
- Making a Difference – the council existing to make a difference to the residents, communities and businesses of Reading

The values have a high profile in the organisation, being displayed prominently

around the civic offices. They are also well understood, with 81% of respondents to the 2021 staff survey indicating that they know what the values are, with this rising to 92% in the latest survey. The values are woven into the annual review process and were central to the leadership development programme that managers went through in 2020/21. The focus on them must be maintained, however, in order to ensure they become fully embedded. Given they were designed to coalesce the organisation, and whilst it is clear that the values are being demonstrated increasingly within teams (with 82% of respondents to the staff survey this year indicating that their team lives the values in the way they work), the values need to be pushed harder to support the increase in cross-organisational working that is required.

Real managerial grip and rigour have had to be applied to the organisation in recent years in order to secure the necessary 'stabilisation'. Many people that we met internally reflected that a revised approach now feels appropriate – one which maintains the necessary and established rigour, disciplines and controls whilst providing for greater autonomy. This would build upon the increased sense of 'trust' that managers indicated they felt had been placed in them during the response to the pandemic – a period when, with 'necessity as the mother of invention', an operating environment and climate emerged in which people felt more empowered and able to be creative. There are signs of this now being 'repealed'. Achieving the balance that those we spoke to are seeking is a key element of the 'reset point' under the leadership of a new Chief Executive.

The council is seen to be an ambitious organisation, reflected in the change that has been driven in relation to how the council functions; the way Reading has been transforming as a town over recent years; and the emerging agenda around tackling inequalities. People spoke of the challenges that the level of ambition generates, given the finite resource available. From this emerge two fundamental considerations around the use and prioritisation of existing resource and leveraging additional resource through the maximising of influence. Central to this, in turn, are considerations around performance management, in relation to levels of awareness of council performance and the drive to enhance it, and the organisation utilising all of the 'levers' available to a council of this importance.

The point we are driving at here is perhaps best made through the use of an example, centred on 'social value', which we plotted through the council's

performance reporting arrangements. The starting point is the '2021/22 quarter 3 performance and monitoring report' presented to Policy Committee on 7<sup>th</sup> March this year. Two pages of this 17 page report relate to performance, with the focus largely on finance in the remainder of the document. The performance information is in the form of two pie charts that show 'direction of travel' and 'performance against target' in relation to the 'corporate plan measures'. The detail of these corporate plan measures can be found in one of the appendices to the report, although there is no reference there to the measure of 'the percentage of council contracts which include social value' which is listed in the appendix to the corporate plan. In reading the appendix to the corporate plan, it can be seen that the targets set are for 30% of council contracts in 2022/23 to include social value, with this increasing to 45% in 2023/24 and then to 60% in the final year of the corporate plan. It is unclear as to how these targets have been determined and the baseline position is shown as 'not yet set'.

The context for the above is the council being on the cusp of letting a series of contracts over the coming months with an estimated value of well over £100m. That provides a tremendous 'lever' for the council to be able to pull as it seeks to take forward the tackling of inequalities. The questions we would pose include what level of attention is there on the matter of 'social value' and how is it linking to the tackling of inequalities; why the baseline position is unclear; why the targets are set as they are rather than being 100% year on year; and if 100% isn't feasible for whatever reason then what would reasonable targets be compared to other similar councils.

This is simply an example and there is a danger that we read too much into it. However, it would be interesting to know, taking another example, whether the council is aware, as we touched on earlier, that with regards to the young people aged 19 to 21 leaving the council's care, the council is best performing in its CIPFA 'comparator group' regarding the percentage who are in suitable accommodation and yet it has the second lowest percentage who are in education, employment or training.

All of the above seeks to emphasise the important of the council ensuring it has the culture and systems in place – including the necessary 'challenge' through the governance arrangements – necessary to drive performance to the maximum level and ensure the council is utilising existing resources and the 'levers' available to it to

best effect. This will be absolutely fundamental if the tackling inequalities agenda and the council's wider objectives are to be delivered within an increasingly challenging social and financial and resourcing context.

There is an increasing focus on equalities, diversity and inclusion (EDI) within the organisation. The council commissioned 'Business in the Community' to undertake an Equality, Diversity and Inclusion Audit in 2021, with the findings reported to Personnel Committee in March 2022. They found a commitment from the organisation to drive change on the EDI agenda. However, it was also reflected that this commitment is not understood by all employees and staff don't feel they have a route to feed into the EDI agenda; leadership accountabilities on the EDI agenda are not yet defined; and different employees are having different experiences at work and these experiences need to be understood and addressed. This resonates with what emerged from our discussions – which is that things in relation to the EDI agenda feel still to be at a low base. It is important to build significantly upon what is being done internally and ensure this is mirrored in relation to the council's approach and engagement externally, given what we reflected earlier regarding the need for the development of a much deeper engagement with, and understanding of, Reading's increasingly diverse communities.

The move to 'hybrid working' within the council has been clearly communicated across the organisation and reflects an increasingly mature and creative environment in which people are being trusted to continue to deliver whilst working away from the office and solutions are being found to long-standing challenges. It is through this route that the council has been able to recruit to a number of posts that it has been hard to fill previously. Informing potential applicants that they would have the opportunity to work largely remotely, where appropriate, has proved to be a strong incentive. The anecdotal evidence is that equivalent arrangements being established for existing employees has impacted positively on staff retention. There are risks and challenges around hybrid working that need to be carefully managed, however, not least in relation to ensuring staff feel supported; team dynamics are maintained or strengthened; the drive to embed the TEAM Reading values is not negatively impacted; and people have the level of knowledge and understanding of the place that they are serving that is required to fulfil their role effectively.

We wanted to conclude by emphasising that there are very few unique challenges in

local government and that fulfilment of the exciting agenda which exists in Reading can be expedited by the council ensuring it is engaging across the sector more, drawing in learning and enabling it to see more in the way of what 'good looks like' in any given sphere. Confidence can be taken from the likelihood that other councils will have previously forged the types of path that Reading is setting off along and that this offers opportunity. It is also the case that the council has much to gain from and offer by featuring on the 'national stage' more, in terms of enhancing its profile and reputation and sharing learning with others. The council has had successes around this in recent times in relation to profiling its work on climate change and housebuilding and it should actively pursue equivalent opportunities in these and other areas.

## 5. Next steps

It is recognised that the council's senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge. The corporate peer challenge process includes a 'check-in' session six months on from the initial activity, with this providing the opportunity for the council's senior leadership to update peers on its progress against the related improvement planning and discuss next steps.

In the meantime, Mona Sehgal, Principal Adviser for the region within which the council sits, is the main contact between your authority and the Local Government Association. She is available to discuss any further support the council requires – [mona.sehgal@local.gov.uk](mailto:mona.sehgal@local.gov.uk)

## LGA Peer Challenge 2022 Action Plan

1	<b>Context</b>	The change in the Chief of Executive forms part of a crucial juncture for the council over the coming months. This could be deemed as a 'reset point' and is a positive culmination of the efforts and achievement of recent years. The report recommends that the Council capitalises fully upon a 'reset point' that has now been reached, particularly in relation to the following:		
	<b>Recommendation/s</b>	<b>Proposed Actions</b>	<b>Lead</b>	<b>Target Date</b>
1a	<b>Ensure absolute clarity in relation to what is being sought in appointing a new Chief Executive.</b>	(i) Members have clarified the skills and qualities they are seeking from our new Chief Executive in the job specification and selection process, which is due to be completed by 30 September 2022.	AD of HR & Organisational Development	Complete
1b	<b>Ensure the senior political and managerial leadership of the council becomes much more externally focused.</b>	(i) Review external strategic relationships and partnerships including with public, business and voluntary sectors to ensure that they are effective and coordinated to deliver the Council's priorities including health, education and equalities outcomes. <ul style="list-style-type: none"> <li>a) audit key external partner/partnership relationships</li> <li>b) conduct gap analysis to ensure all relevant sectors are covered and that relationships are held buy the right people/at the right level</li> <li>c) clarify purpose/potential of engagement.</li> </ul> <i>Linked to 2d below</i>	DEGNS DMT & AD of Corporate Improvement & Customer Services	March 2023
		(ii) Review the development offer for Members and opportunity to provide enhanced support around strategic place leadership.	AD of Legal and Democratic Services	March 2023

1c	<b>Adopt a revised managerial approach which maintains the necessary organisational disciplines but also provides for greater autonomy - as seen during the pandemic.</b>	<p>(i) Further work is needed to identify where decision making can be streamlined throughout the organisation, to enable decisions to be taken at the lowest reasonably practical level.</p> <p>(ii) This will be informed by focus groups with staff and managers to identify what the disempowering factors are (e.g. behaviours, culture etc), the processes/decision areas to be reviewed and the opportunities for change.</p> <p>(iii) This also links closely with the Scheme of Delegation review (3a below) and Governance Processes (4a below).</p> <p>(iv) In undertaking this work will be mindful of need for behavioural change in relation to risk appetite and adopting a positive learning based approach to failure.</p>	AD of HR & Organisational Development/CMT	March 2023
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Page 90	<b>Context</b>	<p>There is currently a ‘window of opportunity’ to enable fundamental and profound change in the lives of the residents of the borough under the emerging ‘tackling inequalities’ agenda. Elements central to this ‘window’ include the democratic mandate reinforced by the local election; the enhanced community spirit brought about by the pandemic and other major events that have impacted the borough; the positioning of the borough for economic recovery from the pandemic; and the council’s stabilisation. The Council needs to enhance significantly its understanding of its changing communities and sit this at the heart of policy formulation, service design, the way the place is being shaped and the emerging ‘people-based’ agenda.</p> <p>The recommends that the Council capitalise fully upon the ‘window of opportunity’ that currently exists to enable fundamental and profound change in the lives of the residents of the borough, particularly in relation to the following:</p>		
	<b>Recommendation/s</b>	<b>Proposed Actions</b>	<b>Lead</b>	<b>Target Date</b>
2a	<b>Developing a politically determined narrative and vision around ‘tackling inequalities’</b>	<p>(i) The Council will develop and adopt a Social Inclusion Strategy setting out its vision, priorities and approach to tackling inequality. The Strategy will be data given with solutions co-produced with and through engagement with our communities.</p> <p>The supporting Delivery Plan will describe how the Council will work</p>	CMT/SLG	October 2022

Page 61		with local people, communities, and partners to overcome barriers arising from inequality, and disadvantage so that everyone can share in the economic, political, social and cultural life of Reading.		
		(ii) The Council's Corporate Plan sets out its vision "... to help Reading realise its potential and to ensure that everyone who lives and works here can share the benefits of its success." The Council will continue to embed this vision so that tackling inequality is a fundamental consideration in all its decision making, and service planning.	CMT	March 2023
		(iii) The Equality, Diversity and Inclusion Strategy will be the vehicle for achieving this for the workforce. Work is already underway to commission a partner organisation to assist with the development of the strategy, which aims to create an inclusive organisation where everyone can bring their whole self to work and reach their full potential.	AD of HR & Organisational Development	December 2022
2b	<b>Developing a much deeper engagement with, and understanding of, Reading's diverse communities</b>	(i) The Council will review its resident and customer engagement mechanisms to ensure that they are relevant and effective in identifying the needs of local people. Within this work there will be an explicit focus on ensuring that the voices of Reading's diverse communities are properly represented.	AD of Corporate Improvement & Customer Services	December 2022
2c	<b>Establishing a shared understanding and a shared endeavour across a multiplicity of partners and Reading's communities in tackling inequalities.</b>	(ii) The development and implementation of the new Social Inclusion Strategy will include gathering the views and intelligence of local public, private and voluntary sector partners to ensure a comprehensive picture of need and co-ordinated response is developed. This collaborative approach includes key partners as substantive members of the Social Inclusion Board which oversees the delivery of this agenda.	AD of Corporate Improvement & Customer Services	December 2022
2d	<b>Maximising the council's influence locally, regionally and nationally</b>	(i) Linked to 1b i above . The scope of the review will be broadened to included the Councils partnerships, memberships and representation on regional and national forums.		

		(ii) Review engagement with ADEPT Boards and Working Groups to ensure appropriate input at the right level with a view to maximising influence via this network	DEGNS DMT	December 2022
2e	<b>Collectively determining, with partners and communities, what needs to be undertaken to tackle inequalities and ensuring this is translated into tangible action.</b>	(i) The approach to developing the Social Inclusion Strategy (see 2a above) will include stakeholder engagement to understand the long-term and immediate barriers to inclusion and inform the action needed to overcome these and reduce inequality.	AD of Corporate Improvement & Customer Services	December 2022

Page 92	<b>3 Context</b>	The review of the Constitution and Delegations Book is very much focused on the refinement and streamlining of what exists - with the aim of making what is laid down in writing easier to navigate - rather than changing any of the fundamentals of how the council is governed. Whilst this work is relatively narrow in scope, it is important that it becomes more widely known about and that opportunity is provided for all key internal stakeholders to input.		
	<b>Recommendation/s</b>	<b>Proposed Actions</b>	<b>Lead</b>	<b>Target Date</b>
	3a	<b>Expedite the work reviewing the Constitution and Delegations Book and, in the process, ensure the opportunity is provided for key internal stakeholders to input fully</b>	(i) Work on the revised Constitution and Scheme of Delegation is underway and members will be consulted in Autumn 2022 with a view to revised arrangements being put in place as soon as possible. Other key internal stakeholders have been engaged during the review and will be fully involved in the roll out of the revised constitution.	AD of Legal & Democratic Services

4	<b>Context</b>	There is extensive engagement between the senior leadership of the Administration and senior officers. Such engagement is beneficial in shaping what enters the formal elected member decision-making arena. However, the lead-in times and the ‘number of hoops to jump through’ in Reading as things move towards formal decision-making feel to be greater than elsewhere.		
	<b>Recommendation/s</b>	<b>Proposed Actions</b>	<b>Lead</b>	<b>Target Date</b>
Page 93	4a <b>Develop understanding of, and challenge, the factors that generate the lengthy lead-in times and extensive number of ‘hoops to jump through’ in the council’s governance processes</b>	(i) Following the revision to the Constitution and Scheme of Delegation we will review the workflows for all decision-making processes (committees and officer decisions) to ensure an efficient process which meets the needs of officers and councillors. We will put in place a training programme for officers who are involved in decisions, and keep this under review in order to provide refresher training for future cohorts of new managers.  <i>Linked to 1c above</i>	AD of Legal & Democratic Services	March 23
		(ii) Further engagement with staff and managers will be undertaken through focus group discussion to identify specific examples of where the perceive the challenges to be and inform any further opportunities that can be taken to change governance, process or culture and streamline decision making	AD of HR & Organisational Development  AD of Corporate Improvement & Customer Services	March 23

5	<b>Context</b>	A council of the scale and importance of Reading should have a comprehensive elected member development programme that supports councillors in all of their roles. Within this, it is crucial that all elected members are supported to be fully aware of their statutory responsibilities, including in relation to that of ‘Corporate Parent.’		
	<b>Recommendation/s</b>	<b>Proposed Actions</b>	<b>Lead</b>	<b>Target Date</b>
5a	<b>Establish a comprehensive elected member development programme that supports councillors in all of their</b>	(i) Work will be undertaken with CMT and group leaders to agree a programme of development activities which meets the needs of councillors and also ensures that statutory responsibilities can be effectively discharged.	AD of Legal & Democratic Services	March 2023

	different roles and ensures they are fully aware of their statutory responsibilities			
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6	<b>Context</b>	It is crucial that children's services - in the form of senior officers from 'Brighter Futures for Children' -- are engaged much more fundamentally at the strategic level of the organisation. There is good working and engagement seen to be taking place at the delivery level but there is a gap in more strategic-level arenas.		
	<b>Recommendation/s</b>	<b>Proposed Actions</b>	<b>Lead</b>	<b>Target Date</b>
6a	Ensure that children's services have the opportunity to be engaged much more fundamentally at the strategic level of the organisation	(i) The DCS's attendance at weekly Senior Management Team Meetings and Leaders Briefing sessions has enabled children and young people's needs and the role of corporate parent to be embedded within all council services. Strategic engagement in these and wider council forums is building a stronger relationship between the Council and Company and the Council will continue to ensure that this direction of travel is maintained and BFfC are engaged at this senior level.	CMT	Ongoing

7	<b>Context</b>	The council's financial position and management arrangements have recovered and strengthened significantly in recent years. Strategic financial planning is now more mature and supported by an appropriate level of analysis, with robust budget setting and monitoring procedures. However, the council's financial base, whilst sound, remains vulnerable.		
	<b>Recommendation/s</b>	<b>Proposed Actions</b>	<b>Lead</b>	<b>Target Date</b>
7a	Ensure the continuation of the rigour and disciplines necessary to deliver the agreed savings and income generation plans and maintain wider financial controls - in a	(i) Maintain rigour of financial management and oversight so that all senior leaders and cost centre managers take responsibility for delivery within the approved budget.	CMT	Ongoing
		(ii) Development of new longer-term model for tracking key risks in the MTFS with regular report to CMT and Lead Members	Financial Planning & Strategy Manager	Complete

Page 95	context of the council's sound financial base remaining vulnerable and the pressures and risks around this	(iii) Roll-out of budget holder training across RBC	Director of Finance (with support from CIPFA)	March 23
		(iv) Continuation of monthly financial reporting to CMT and Lead Members with quarterly reporting to Policy Committee with greater focus on key risk areas.	Financial Planning ^ Strategy Manager	Dec 23
		(v) Rollout of Budget Holder access to financial information through the implementation of the new financial system.	Director of Finance	April 23
		(vi) All financial controls assessed as at least Reasonable Assurance by Internal Audit	Director of Finance	April 23
		(vii) The audit of the Statement of Accounts to be brought up to date	Chief Accountant	Summer 23
		(viii) Ensure robust arrangements are in place to ensure the financial viability of RBC's wholly-owned companies	Director of Finance	Ongoing

8	<b>Context</b>	The TEAM Reading values have a high profile in the organisation and are well understood. The focus on them must be maintained and pushed harder in order to ensure they become fully embedded and support the increase in cross-organisational working that is required.		
	<b>Recommendation/s</b>	<b>Proposed Actions</b>	<b>Lead</b>	<b>Target Date</b>
8a	<b>Continue the work to fully embed the TEAM Reading values</b>	<p>(i) This is partly captured in the Team Reading Programme Plan for 2022/23. Significant work has been completed recently to embed the values within the performance management process. The values are also now being embedded in all job descriptions and will be considered as part of the recruitment and selection process for new employees. Furthermore, the Team Reading Leadership Development Programme was designed to ensure that leaders and managers across the organisation role model the values in their day-to-day interactions.</p> <p>(ii) The Staff Survey in April this year has identified further areas where</p>	AD of HR & Organisational Development	Ongoing

		improvement is needed to fully embed cultural change across the organisation. These include concerns about behaviours' including bullying, senior leadership and workload and priorities. Further discussion is needed with CMT and SLG to determine how these will be addressed.		
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## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

<b>TO:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	24 <sup>th</sup> January 2023		
<b>TITLE:</b>	<b>STRATEGIC RISK REGISTER Q3 2022/23</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR LIZ TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE SERVICES AND RESOURCES</b>
<b>SERVICE:</b>	<b>CORPORATE HEALTH &amp; SAFETY &amp; RISK MANAGEMENT</b>	<b>WARDS:</b>	<b>N/A</b>
<b>LEAD OFFICER:</b>	<b>ROBIN PRINGLE</b>	<b>TEL:</b>	<b>07730 804 547</b>
<b>JOB TITLE:</b>	<b>CORPORATE HEALTH, SAFETY AND RISK MANAGEMENT LEAD</b>	<b>E-MAIL:</b>	<a href="mailto:Robin.Pringle@reading.gov.uk">Robin.Pringle@reading.gov.uk</a>

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

- 1.1 This report outlines the Q3 2022/2023 update of the Strategic Risk Register. The Register is presented to the Council’s Audit & Governance Committee, quarterly. The Q1 & Q2 report was presented to the Council’s Audit and Governance Committee in September 2022.
- 1.2 The following document is appended:  
Appendix 1 - the Council’s Strategic (Corporate) Risk Register Q3

<b>2. RECOMMENDED ACTION</b>
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- |  |
|--|
| <b>2.1 Audit and Governance Committee are asked to review and agree the Councils Strategic Risk Register at the end of Q3 (Appendix 1)</b> |
|--|

#### 3. POLICY CONTEXT

- 3.1 The updated Risk Management Policy and Procedure was presented to Audit & Governance Committee in July and signed off by Policy Committee on the 21st of September 2022.
- 3.2 Risk management is a key part of corporate governance. Good risk management will help identify and deal with key strategic risks facing the Council in the pursuit of its goals and is a key part of good management, not simply a compliance exercise. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. They consist of an ongoing process designed to

identify and address significant risks involved in achieving the Council's outcomes.

#### 4. Current Position

4.1 RBC are operating a more comprehensive risk management system, to provide greater governance and reassurances to our insurers and Members.

This is achieved by improving:

- The policy commitments and roles and responsibilities,
- Defining a clear operating procedure,
- Increasing the frequency of Risk Register reviews and reporting, and Working closely with our insurers and risk consultants to embed the new system

4.2 The Directors, Deputy and Assistant Directors received Risk Management training in June 2022, where the new Policy and Procedure was presented and explained. Following the training, The Corporate Management Team (CMT) and Directorate Management Teams (DMT's) were required to review their existing risks, determine if they are still relevant and fit for purpose and determine whether there are new risks that need incorporating into the Risk Registers. DMT's were also asked to determine if any risks should be escalated to the Strategic Risk Register. This review process was repeated for Q3.

The SharePoint site, which holds the Strategic and Directorate Risk Registers has been updated this quarter.

4.3 The Strategic Risk Register has been developed to provide a concise, focused and high-level overview of strategic risks that can be easily communicated to all staff, councilors and stakeholders (e.g. Council's Insurers). It should always be supplemented by directorate/service/project risk registers.

#### 4.4 Q3 Strategic Risk Register - Updates

4.4.1 The Strategic Risk Register was reviewed by the Corporate Management Team (CMT) on the 10th of January 2023. The following highlights the changes made.

##### **Risks Closed and Removed from the Strategic Risk Register:**

##### **De-escalated to DACHS Risk Register:**

- Implementation of the new government legislation to deliver Adult Social Care Reforms
- Provider's ability to meet statutory Adult Social Care requirements

##### **De-escalated to DEGNS Risk Register:**

- High risk of homelessness within the Ukrainian arrivals due to unmet housing needs

##### **Merged into 'Failure to Safeguarding Vulnerable Adults and Children's' Risk Card:**

- Failure to safeguard young people in the community from serious crime.
- Lack of effective corporate parenting across the organisation

### **Existing Risks That Remain**

- Companies Risk - That the council fails to have in place appropriate oversight and scrutiny of its companies
- Cyber - Risk of loss from cyber-attack
- Failure to adapt to the impacts of climate change
- Failure to deliver zero carbon commitments
- Failure to implement the social inclusion agenda within the borough
- Failure to manage an outbreak of communicable diseases
- Failure to safeguard vulnerable adults and children
- Information Governance - Failure to protect personal data
- Failure to retain and recruit staff
- Unable to achieve the budget savings, manage costs, as a result of cost-of-living increases and not achieving income targets

### **New Risks Introduced**

- Lack of local Special Education Needs and Disabilities (SEND) placement provision to meet current and future levels of demand

4.5 The Strategic Risk Register (Appendix 1) for agreement, now consists of 11 risks compared to 15 for Q1 & Q2 22/23.

4.6 Although guidance is provided in relation to the scoring of risks, with a view to providing as much consistency as possible, it remains a subjective process. The primary aim of the Strategic Risk Register is to identify those key vulnerabilities that CMT consider need to be closely monitored in the forthcoming months and, in some instances, years ahead. In many cases this will be because the risk is relatively new and, whilst being effectively managed, the associated control framework is yet to be fully defined and embedded. In such circumstances it follows that not only will the potential impact be large, but the risk of likelihood of occurrence could also be increased.

4.7 In order to focus Member attention on areas of greatest risk, the Register should include only the key current risks that have not been mitigated down to the risk appetite level. Where risks have been rated as green for 2 or more consecutive quarters they are removed from the Register. These can be re-instated should the risk rise again.

4.8 Risk Management Training has been planned for A&G Committee Members and all Councillors on the 2nd of February 2023 and 30<sup>th</sup> March 2023. Both training sessions will provide Members with the guidance on how to review and challenge reports when received (as part of good governance).

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

5.1 Regular review of the Policy, and Strategic Risk Register, is an integral part of effective risk management arrangements and corporate governance. Identifying risk appetite enables the Council to clarify the extent of risk mitigation required in order to achieve its strategic aims. Each risk is linked to a Corporate Plan theme.

## **6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

6.1 There are no specific environmental and climate implications arising from the decision. The Strategic Risk Register includes two risks related to climate implications and the actions to mitigate these risks are included in appendix one.

## **7. COMMUNITY ENGAGEMENT AND INFORMATION**

7.1 The consultation duty is not applicable to the Risk Management Policy & Procedure.

7.2 Internal consultation has taken place with the Corporate Management Team, and the Councils insurer and consultants and their feedback is reflected in the revised policy & procedure at appendix one.

## **8. EQUALITY IMPACT ASSESSMENT**

8.1 An Equality Impact Assessment (EIA) is not relevant to this report.

## **9. LEGAL IMPLICATIONS**

9.1 There are no specific legal implications arising from the recommendations in this report".

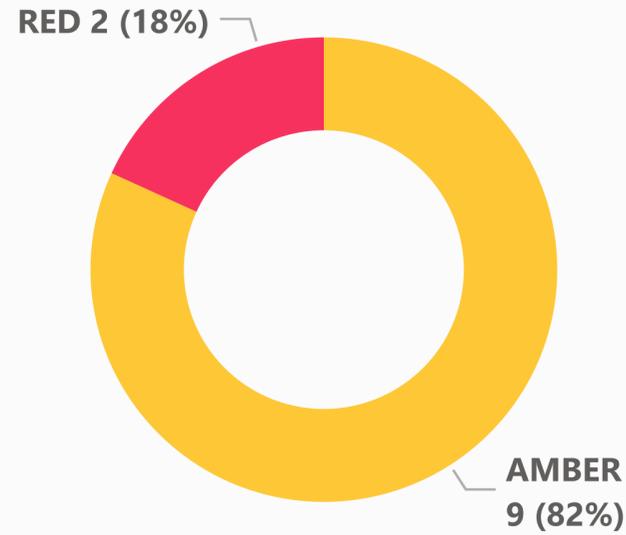
## **10. FINANCIAL IMPLICATIONS**

10.1 There are no specific financial implications arising from the recommendations in this report.

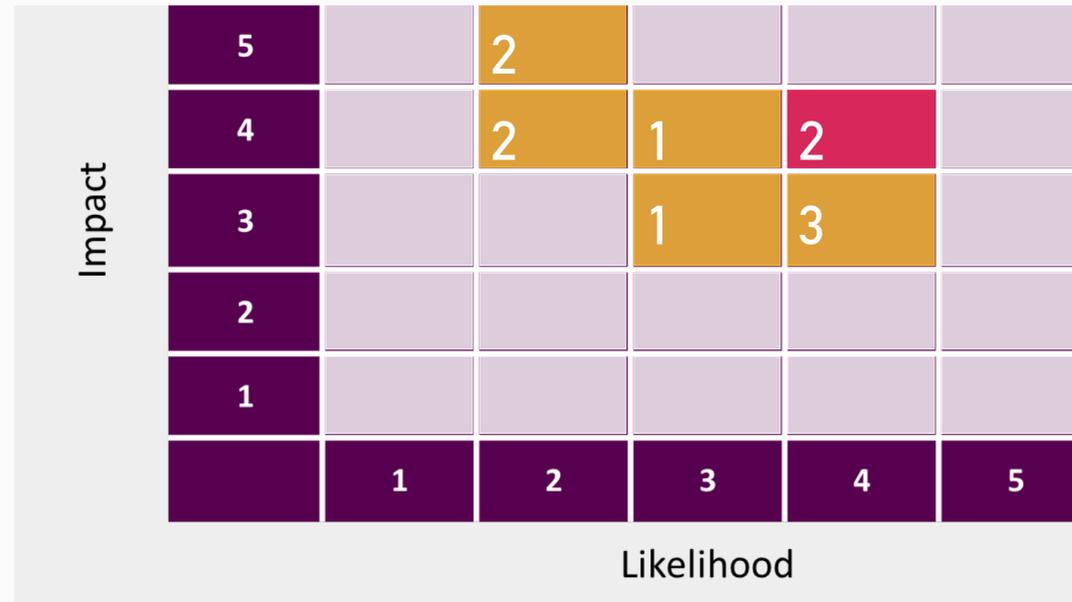
## **11. BACKGROUND PAPERS**

11.1 Risk Management Policy & Procedure, 2022

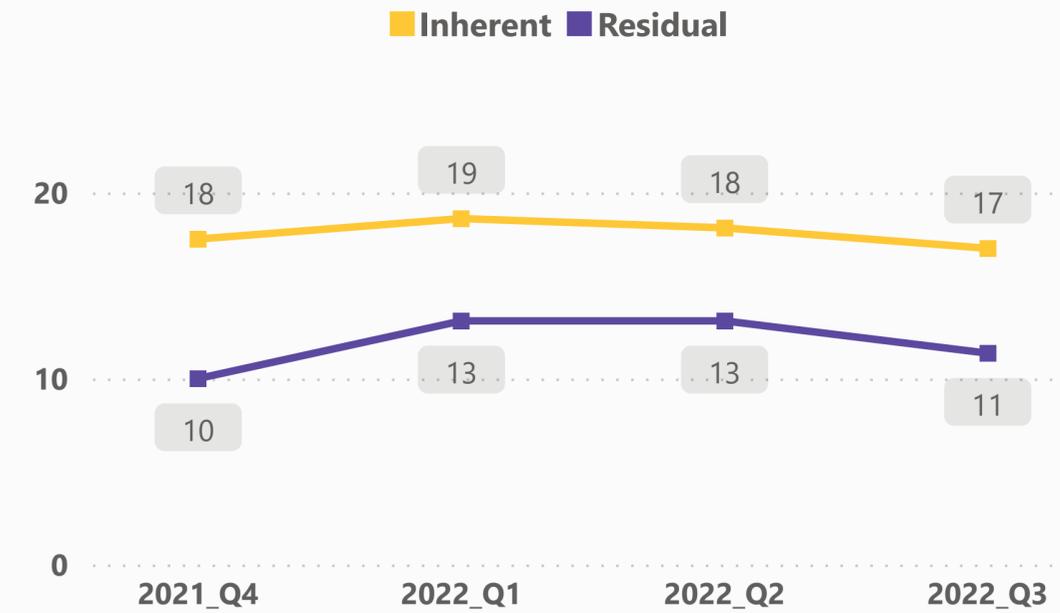
Count of Risk by Status



Risk Distribution



Rolling 4 Quarter Risk Score by Type



Page 10

Risk	2021_Q4 Residual	2022_Q1 Residual	2022_Q2 Residual	2022_Q3 Residual	Current RAG
BFFC - Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand	0	0	0	16	●
Companies Risk – That the council fails to have in place appropriate oversight and scrutiny of its companies.	8	8	8	8	●
Cyber - Risk of loss from cyber attack	20	20	20	16	●
Failure to adapt to the impacts of climate change	0	12	12	12	●
Failure to deliver zero carbon commitments	0	20	20	12	●
Failure to implement the social inclusion agenda within the Borough	12	12	12	12	●
Failure to manage a significant outbreak of a communicable disease(s)	4	9	9	9	●
Failure to safeguard vulnerable adults and children	8	10	10	10	●
Information Governance - Failure to protect personal data	8	8	8	8	●
Staffing - Failure to retain and recruit staff	12	12	12	12	●
Unable to achieve the budget savings, manage costs, as a result of cost of living increases and achieving income targets.	8	20	20	10	●



Risk: BfC - Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand

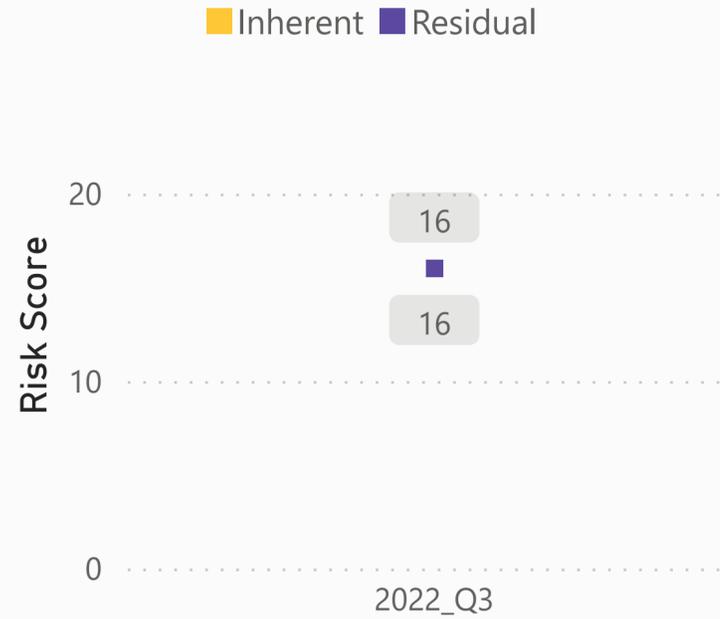
Register: Strategic  
Risk owner: Grady, Brian

16  
 Current Risk S...

**Cause:**  
Risk that the needs of children with SEND cannot be met in Reading and/or Out of County placements will be required, leading to costs exceeding budget and poorer outcomes for the children in question.

**Potential Impact:**  
Risk that the needs of children with SEND cannot be met in Reading and/or Out of County placements will be required, leading to costs exceeding budget and poorer outcomes for the children in question.

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)				4
Likelihood (Inherent)				4
Inherent	0	0	0	16
Impact (Residual)				4
Likelihood (Residual)				4
Residual	0	0	0	16

**Actions and update**

- New free special school confirmed as opening in Sept 2023 will provide 75 places for children, as a joint partnership between Reading and Wokingham Councils. **Ongoing**
- Further places being sought from local schools to deliver Additionally Resourced Provision and specialist places **Ongoing**
- Two independent special school providers have established additional local provision in the past nine months, which is helping meet immediate need for places for children with Special Educational Needs and Disabilities. Exploring with other providers establishing provision in the area for 2023/24 continues. **Ongoing**
- In addition, Brighter Futures for Children and RBC are engaged with the Department for Education on the Delivering Better Value project which seeks to address pressures on the High Needs Block including sufficiency of Special Educational Needs and Disabilities places. **Ongoing**



Risk: Companies Risk – That the council fails to have in place appropriate oversight and scrutiny of its companies.

Register:  
Strategic

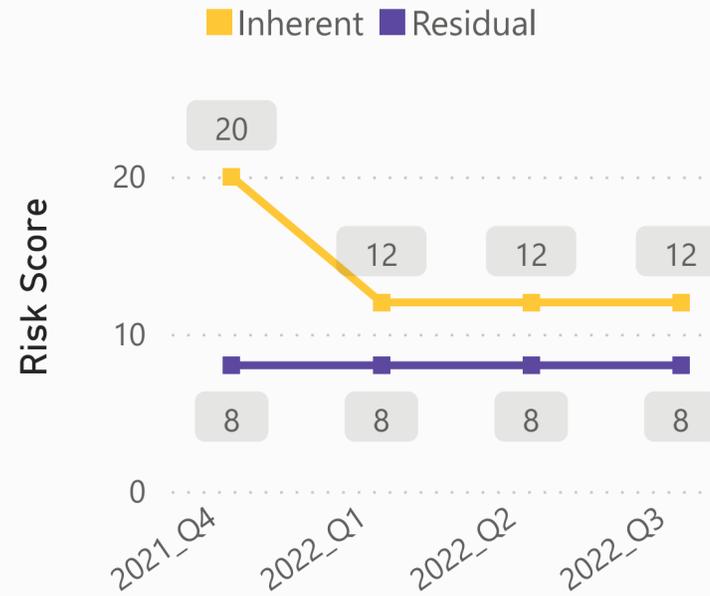
Risk owner:  
Graham, Michael

**8**  
Current Risk S...

Cause:  
Corporate mismanagement

Potential Impact:  
Risk that the Council fails to have in place appropriate oversight and scrutiny of its companies (Reading Transport Ltd, Brighter Futures for Children Ltd, Homes for Reading Ltd and Reading Hampshire Property Partnership Ltd) and is unaware of risks to those companies (pension fund deficits, GDPR compliance etc) and is impacted by an unplanned exposure relating to those companies. The risks could be financial, legal or reputational.

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)	5	4	4	4
Likelihood (Inherent)	4	3	3	3
Inherent	20	12	12	12
Impact (Residual)	4	4	4	4
Likelihood (Residual)	2	2	2	2
Residual	8	8	8	8

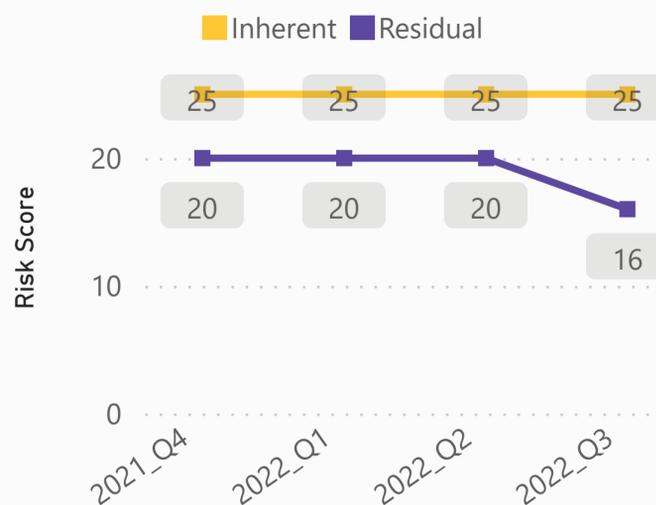
Actions and update

- The Council commissioned a review of the governance and performance of Reading Transport Ltd (RTL). As a result, new appointments were made to the Board for non-executive directors. A new independent non-executive Chair has also been appointed. **Completed 21/22**
- Regular Contract Management Group meetings are in place with Brighter Futures for Children Ltd (BFfC) . The financial reporting has greatly expanded and provides greater visibility of financial risks. Overspend related to Looked After Children is supported by relevant panel meetings with high cost placements to be signed off by the RBC Chief Executive. **In progress**
- There are contract governance arrangements in place with Brighter Futures for Children to monitor company performance, including monthly financial reporting and bi-monthly (once every 2 months) . **In progress**
- Seeking to ensure greater consistency of Council / Company oversight through review of respective Company Articles and governance **In progress**
- The Council has commissioned and independent review of the business model for Homes for Reading Ltd in light of possible changes to the local government borrowing regime. **In progress**

Cause:  
Attack by hostile nation states, criminals or activists

Potential Impact:  
Loss of service, loss of reputation, legal challenges, recovery costs

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)	5	5	5	5
Likelihood (Inherent)	5	5	5	5
Inherent	25	25	25	25
Impact (Residual)	5	5	5	4
Likelihood (Residual)	4	4	4	4
Residual	20	20	20	16

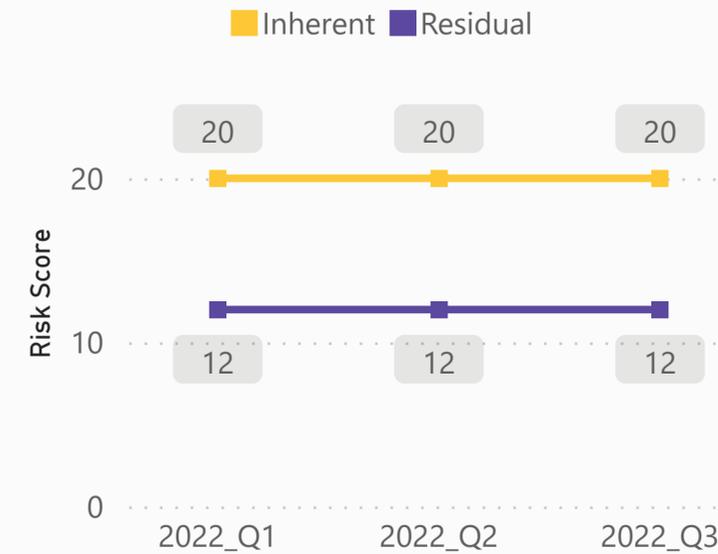
Actions and update

- Current impact is 5 to reflect recent learning from incidents such as those experienced by Haringey and Redcar & Cleveland ransomware attacks (the latter having been assessed as having had total business impact of £6m). Given that £1m is the threshold for impact level 5, the level is not expected to change.
- Likelihood remains high. While progress on actions is exerting downward pressure on likelihood, this is balanced by worsening of the threat environment. (See [First ever Government Cyber Security Strategy to step up Britain's defence and resilience - GOV.UK \(www.gov.uk\)](#)). The continuing evolution of the threat environment means that the likelihood will remain high, notwithstanding the significant set of actions in place. The purpose of our investment in countermeasures is to avoid even higher likelihood and to maximise ability to mitigate impact
- We have developed a cyber incident response plan and cyber incident "playbooks" to reflect learning from recent attacks on the public sector and the latest guidance from the National Cyber Security Centre (NCSC). **Complete**
- Intent is to run a cyber attack exercise in H2 22/23. Completion of this exercise and the actioning of lessons learned from it should lead to greater confidence in the ability to recover and understanding the time this would take. **In progress** Limited exercise run in Legal & Democratic Services; wider exercise being explored as part of Business continuity Planning but may be deferred into 23-24 to enable lessons learned from Legal exercise to be reflected into plans of all.
- The Information Governance Board is working with the Business Continuity Planning Officer to improve cyber awareness on the part of those developing Business Continuity Plans and to assess whether the risk is being adequately covered, in preparation for the proposed exercise (previous bullet).
- Staff awareness and training is critical. Training has been made mandatory. Brighter Futures for Children (BFfC) has now also made cyber training mandatory. Preparations are being made to remove Information and Communications Technology (ICT) access from those who have not completed the training (unless there is a good reason and plan for completion agreed). A refresher course will be compulsory in 2022/23, has been launched. **Complete - but monitoring and driving of take up will be an ongoing requirement.**
- We have had a preliminary assessment of our compliance with the requirements of the National Cyber Security Centre Essentials Scheme undertaken and plan to achieve Cyber Essential certification by the end of 22/23. **In progress**
- Security governance has been strengthened with the establishment of the Information Governance Board, which will review policy and strategy relating to cyber security, and also monitor reports of security incidents to identify corrective action. Assistant Director Legal & Democratic Services has been appointed as cyber security champion for Corporate Management Team (CMT), and a similar role is played in Council by the Lead Member for Corporate & Customer Services. **Complete**
- Staff training on cyber security is regularly reviewed by Audit and Governance Committee. **In progress (will be permanently ongoing)**
- Implement improved defences against attack from Internet via email **Complete** and internet **In progress**
- Assess business case for improved technology to detect and manage cyber security incidents **In progress**

**Cause:**  
Inadequate planning and preparedness and long-term planning to adapt to the impacts of climate change.

**Potential Impact:**  
Climate change impacts (hotter drier summers, warmer wetter winters, and more extreme weather events) have a range of negative social, economic and environmental consequences, up to and including loss of life, as well as amplifying other risks (e.g. to public health, economic security, service continuity, infrastructure and supply chains). Action to adapt can reduce impacts, though the likelihood of such impacts occurring remains high, and generally rising in the coming decades, in the context of global warming which is 'baked in' as a result of historic emissions.

**Trends - Risk Scores**



**Risk Scoring**

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)		5	5	5
Likelihood (Inherent)		4	4	4
Inherent	0	20	20	20
Impact (Residual)		3	3	3
Likelihood (Residual)		4	4	4
Residual	0	12	12	12

**Actions and update**

- Flood Risk: the Council is responsible for surface water flooding and produced a Local Flood Risk Management Strategy in 2015. Action has been taken in all but one of 6 'hotspots' identified and plans for works at the remaining site have been approved. Flash flooding from extreme rainfall events is likely to be an increasing but unpredictable risk. The Environment Agency is responsible for fluvial flooding and we are working with the Agency to address our main fluvial flood risks from the Thames, though the Agency's decision not to proceed with the Reading & Caversham Flood Alleviation Scheme raises questions about how to address the inherent flood risk which remains. **In progress**
- Heatwave risk: various local agencies, including the Council and National Health Service (NHS), participate in the Berkshire Heatwave Plan and England Heatwave Plan. These plans were recently tested in the July and August 2022 heatwaves but data is awaited on the public health outcomes. As the severity and frequency of hot weather events increases, however, more action will be needed to protect vulnerable people and infrastructure. Changes to working practices to protect staff will also be needed (e.g. refuse crews were sent out an hour earlier to avoid the heat of the day in summer 2022) **In progress**
- Extreme weather events: service continuity plans are in place to help prepare for such events but it will be important to ensure that these reflect the changing risk profile associated with climate change and extreme weather. **In progress**
- Climate impact assessment in decision-making: a protocol for climate impact assessment in Committee reports is now in place and being used by report authors - this includes tests to ensure that decisions are taking account of key climate impacts such as extreme heat, storms and flood risk, and the need to adapt to them. Compliance with the requirements for climate impact assessment in Committee reports will be audited shortly. **In progress**
- Planning policy and new development: the Reading Local Plan includes policies on climate change adaptation (CC3) and flood risk (EN18) designed to ensure that new development is resilient to climate impacts. The Local Plan monitoring process should enable assessment of how well these policies are being applied. **In progress**
- An internal audit process in February 2022 giving 'reasonable assurance' but the report highlighted the need for the Council to develop a more comprehensive climate change adaptation for its own services - work on this is now underway with the aim of completion this financial year. **In progress**

**Cause:**  
1. Lack of clear policies and plans in place to deliver 2. Insufficient investment of Council resources in delivery; 3. Inadequate government funding and policy support for delivery

**Potential Impact:**  
Failure to deliver the Council's net zero commitments will ultimately contribute to catastrophic climate change impacts through the 'contribution' of greenhouse gas emissions from Reading will of course be indistinguishable from that of other jurisdictions. The main direct impacts on the Council are, however (i) practical in the sense that if the Council is not seen to be leading by example, the success of its efforts to persuade other partners and residents to cut their emissions will be reduced and (ii) reputational, in that the Council may be accused of not delivering on its promises, noting that some of the action required to deliver a net zero Reading by 2030 is beyond the Council's control. The 'impact' score is therefore based on this rather than the ultimately catastrophic impacts which will arise in the long-term from unmitigated climate change (see also 'Failure to adapt to climate' risk card).



Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)		5	5	5
Likelihood (Inherent)		5	5	5
Inherent	0	25	25	25
Impact (Residual)		5	5	3
Likelihood (Residual)		4	4	4
Residual	0	20	20	12

**Actions and update**

Action is broken down in relation to 'cause' categories listed above as follows:

Lack of clear policies and plans in place to deliver:

- Reading Borough Council (RBC) worked with partners to develop the Reading Climate Emergency Strategy 2020-25 - includes action plans for all key policy areas (endorsed by Strategic Environment, Planning & Transport (SEPT) Committee November 2020) **Complete - delivery in progress**
- Reading Borough Council produces its own Corporate Carbon Plan to set out its pathway to net zero and action required (adopted by Strategic Environment, Planning & Transport Committee November 2020) **Complete - delivery in progress**
- Annual Reports on progress on both the Climate Strategy and Carbon Plan are presented to Strategic Environment, Planning & Transport (SEPT) Committee on the anniversary of their publication **Complete as of end of 2020**
- A mandatory section of Committee Reports requires report authors to assess the environmental and climate impacts of decisions, using a climate impact assessment tool and accompanying guidance where appropriate **Complete - periodic audit of compliance required**

2. Insufficient investment of Council resources in delivery:

- The Council's capital programme includes significant investment designed to directly or indirectly support net zero goals, including investment in public transport, energy efficient housing, sustainable waste management practices, and carbon reduction measures in the Council's own buildings and fleet. Further work is, however, needed to establish whether this will be sufficient to delivery net zero ambitions for the Council and for Reading as a whole. **In progress**
- While the Council's revenue budgets for dedicated work on climate change are modest in isolation, efforts are being made to ensure that climate action is embedded in all services and service plans through provision of support such as guidance and training for officers. **In progress**

3. Inadequate government funding and policy support for delivery

- While Government policy is aligned to net zero, the national target of 2050 remains less ambitious than the local target of 2030. As such some policies are not fully aligned, and while Government has made significant funding available it is not of the scale required to support net zero by 2030. Furthermore most funding streams are extremely competitive and/or over-subscribed. The Council therefore works through representative bodies to lobby for more generous financial support and a more ambitious policy framework to enable net zero by 2030. **In progress**

The annual progress report on the Reading Climate Change Strategy in November 2022 highlighted that while progress was being made with Borough-wide emissions reduction (which have been cut by 55% since 2005, the 4th largest reduction out of 374 UK local authorities), the pace of the reduction needs to increase significantly to achieve 'net zero by 2030'. Some of the Borough-wide action needed to achieve net zero is beyond the Council's control, but the wider community understandably looks to the Council to lead by example. In this regard the Council is on track to meet its own corporate Carbon Plan target of an 85% reduction in emissions by 2025 (en-route to net zero by 2030) - achieving a 71.3% cut since 2008/09. **In progress**

An internal audit of the Council's climate action programme was concluded in February 2022 giving 'reasonable assurance' - this made a number of recommendations to improve accountability for delivery of the Council's net zero commitments which are in the process of being implemented, including:

- Clear identification of responsible teams/officers for actions in the Reading Climate Emergency Strategy where RBC is listed as a delivery partner, with these actions being better reflected in the Service Plans of relevant services - this work was **completed in September 2022** and guidance has been issues to Assistant Directors' on how to reflect climate action in Service Plans from 2023-24
- Clearer articulation of timescales and accountability for various actions in the corporate Carbon Plan - this was **complete in November 2022** and, again, guidance issued to Assistant Directors reflecting these actions in Service Plans from 2023-24
- Improved support and training for officers and services to embed climate action in their work - a climate module is now included in staff induction, guidance on climate assessment in Committee Reports has been produced, and sessions on climate have been included in Team Talk and Senior Leadership Group meetings. Further work is needed, however, to develop a more comprehensive 'carbon literacy' training offer. **In progress**



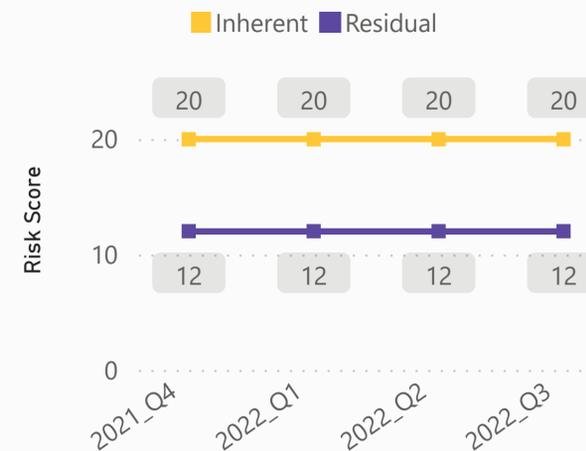
Reading's Climate Emergency Declaration made clear that additional powers and resources would be needed from central government to enable delivery of 'net zero by 2030' - to date, these have not been forthcoming to the extent required and this remains probably the biggest risk to delivery of the Council's commitments.

The Council will work with partners to initiate a review of the Climate Emergency Strategy in 2023 as long lead times are required to enable the appropriate level of community and stakeholder engagement in preparing to update the Strategy for the period 2025-2030. **Not started**

**Cause:**  
Lack of resources, focus and coordination of internal teams, deficit of community infrastructure to support local delivery, lack of effective community engagement leading to inappropriate interventions and lack of support.

**Potential Impact:**  
Skills and income deficit is not addressed, leading to low pay/worklessness, children living in poverty and poorer outcomes in terms of health.  
Lack of aspiration and hopefulness  
Increased isolation and marginalisation of residents in less affluent areas.

### Trends - Risk Scores



### Risk Scoring

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)	5	5	5	5
Likelihood (Inherent)	4	4	4	4
Inherent	20	20	20	20
Impact (Residual)	4	4	4	4
Likelihood (Residual)	3	3	3	3
Residual	12	12	12	12

### Actions and update

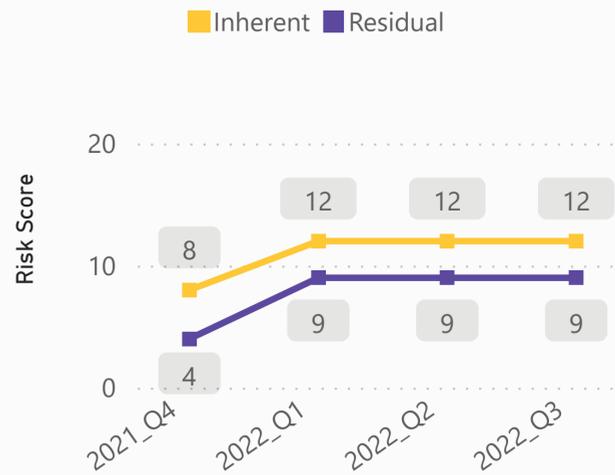
- Social Inclusion funding agreed for 2022/23- 2024/25 **Complete**
- Social Inclusion Strategy (now the Tackling Inequality strategy) and action plan to go to Policy Committee in Jan 23
- New Social Inclusion and Voluntary & Community Sector (VCS) Partnership Manager appointed to focus on developing the strategic partnership with the Voluntary & Community Sector and coordination /visibility of activity taking place across the Council. **Complete**
- Further post to be appointed to. **In progress**
- Voluntary and Community Sector strategic action plan agreed and work commenced. **In progress**
- Social Inclusion Board (Chaired by Chief Executive), with senior stakeholders from Directorate of Economic Growth & Neighbourhoods Services (DEGNS), Brighter Futures for Children (BFFC), Public Health and Directorate of Resources (DoR). The Board covers: Development and co-ordination of the broader Social Inclusion agenda, commission work to address skills and education, using a place based approach to address the barriers to education, provide oversight on key work programmes such Voluntary & Community Sector action plan, Community Health Champions, Volunteering for Reading road map. Detailed work programme to be presented to Policy Committee in October 2022. **Ongoing**
- Closing the Gap – Phase 1 of the prospectus for £1.3m 3yr Commissioning framework with the Voluntary & Community Sector completed. Covering three priorities: Getting out and staying out of Poverty; Building Community wellbeing and resilience; and Voluntary & Community Sector Infrastructure. Phase 2 commissioned to increase capacity for Debt and Money Management advice and support, targeted peer support for autistic, learning disability, and deaf communities. **Complete**
- Small Grants Scheme – phase 1 scheme delivered and distributed around £100k of funding. Phase 2 to allocate a further £100k in October. **Complete**
- New work experience offer designed for schools and more targeted approach to apprentice recruitment to be implemented. **Ongoing**
- Procurement activity to ensure the Council's Social Value aspirations are effectively embedded delivering additional training, job opportunities, infrastructure etc. **Ongoing**
- New Education Strategy being drawn up by Brighter Futures for Children reflecting the need to boost aspiration and attainment. **Ongoing**
- Refugee Settlement Schemes in place and resourced to support to; Ukrainian, Afghan and Syrian refugees. **Ongoing**
- Accessible information and Communications strategy adopted in November 2021 covering; accessible information standards online (Web Content Accessibility Guidelines (WCAG) Accessible for All standard) , inclusive standards for written and visual communications, provision of translation and interpretation services. Implementation of the strategy has been communicated to staff and is delivered as part of the Customer Excellence Programme. **Ongoing**
- Health and Wellbeing Strategy – The Berkshire West Health & Wellbeing strategy addresses health inequalities through a number off priority workstreams. The Reading Integration Board provides the oversight for the delivery against the Health & Wellbeing strategy. **Ongoing**
- Housing Strategy – Community Development Team in place to tackle inequality in deprived council estate areas, debt and money advice provision to prevent homelessness, detached youth workers carry out community engagement with young people **Ongoing**
- New Directions College provides skills and community learning to adults aged 19+ in Reading, in particular skills for life and work including maths, English and digital skills as well as apprenticeships and work based learning courses. **Ongoing**
- Reading Play provide play opportunities for 0 to 13 year olds through After School Clubs, Holiday Play clubs, and events such as the Summer Play Days. We ensure that all of Reading’s children, young people and families have fair and equal access to free play activities on a daily basis. The service also provides a specialist service for schools which includes respite and Special Education Needs & Disabilities (SEND) support. **Ongoing**
- Libraries support children and adults with provision of free resources, including access to information, internet/wifi, and IT and free activities such as 'Rhymetime' and story time which support the development of children. **Ongoing**
- Increasingly cultural services, including the museum, are adapting services for adults and children who are neuro-diverse. **Ongoing**
- Reading Museum provides a reminiscence service that can be sent out to care homes and other organisations around Reading. The Museum regularly goffers project work to schools in areas of deprivation. **Ongoing**
- Place-Based pilots project developed Dec 22 and to be launched 1st Q 23 **In Progress**



Cause:  
Lack of specialist staff capacity resources to manage the situation

Potential Impact:  
Death or injury. Loss of reputation. Insurance claims. Legal challenges

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)	4	4	4	4
Likelihood (Inherent)	2	3	3	3
Inherent	8	12	12	12
Impact (Residual)	2	3	3	3
Likelihood (Residual)	2	3	3	3
Residual	4	9	9	9

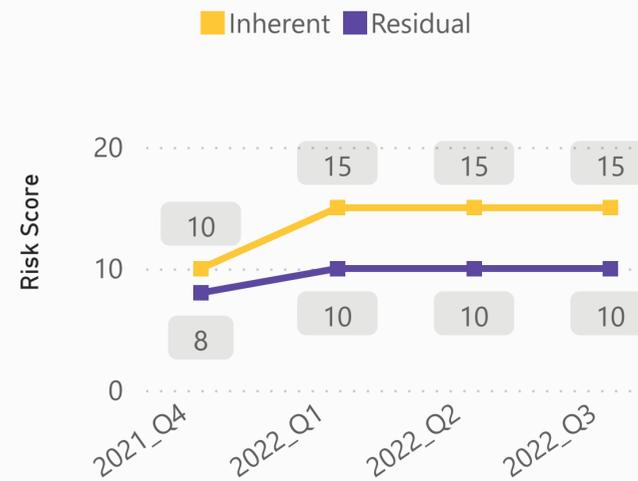
Actions and update

- Continue to support vaccine rollout and use data to consider where hesitancy exists. This is progress in Reading and targeted work was undertaken during Covid to reach communities where there was reduced take up. This same targeted approach needs to be established across all vaccination streams, most notably influenza as pandemic flu remains the highest risk on the national risk register and low uptake of vaccination correlates with high impact on services. Focus of vaccine uptake should also include all immunisation programmes from new born work with Integrated Care Partnerships, Primary Care Networks and higher education settings for Measles, Mumps & Rubella catch up awareness **In progress** through to shingles and pneumonia in the elderly. This should be a focus on the Health Protection Annual report to the Health and Wellbeing Board. **In progress**
- Local Contact Tracing has ended following the Living with Covid announcement by the government **Complete**
- Service delivery and risk assessments pertaining to business continuity plans in relation to pandemic flu form part of the annual health protection exercise across the Council sit with Services/Directorate. There is no recorded evidence that this is in place in the absence of an annual health protection annual report **In progress**, in association with the health protection review and establishing a partnership and forward planning for the health protection annual report. Essential aspects of this are:
  - Update the Pandemic Flu Plan and review procedures **Not started**
  - Undertake a flu exercise **Not started**
  - Ensure Flu is a consideration is a consideration in all Business Continuity Plans **Not started**
- Establish a robust structure for dealing with Health Protection, from preparedness through response to recovery **In progress**. A full review of these structures are underway. Good structures were established during Covid across Reading and these have served well in supporting additional need such as settlement of Afghanistan nationals and Ukraine refugees. A partnership needs to be established, building on this success, so there is a forum for bringing together Public Health, social care, emergency planning, housing and screening and immunisations to meet Public Health statutory requirements around health protection and resilience, to plan, exercise and mitigate risk and establish a clear process should response be required.
- Create a Health Protection Board to focus on all Infectious diseases, mandatory requirement under the Health & Social Care Act 2012 **In progress**. A proposal on the establishment of a Health Protection & Resilience partnership is being developed, following a review and mapping of existing processes, this will come to Corporate Management Team for initial discussion Feb 2023.
- Staffing capacity - there is a need for additional staffing support - health protection specialist required. **In progress**. A job description has been developed with the intention of filling this role on a Full Time Contract for 12 months from non recurring funding, to help establish working practices, update plans and put in place systematic exercising.
- Closer alignment of health protection to emergency planning **In progress**. This will form as part of the new partnership. These disciplines sit closely together in an incident, and the need to ensure the public health aspects are considered.
- Emergency response structure continues to operate This is in place across the council, public health has not previously been called to the table automatically, Again Covid brought inclusive working, enabling this same engagement at an Strategic Coordinating Group and Tactical Coordinating Group and Recovery arrangement in all incidents will enable fuller Public Health contribution; i.e fire, flood, weather,
- Thames Valley Local Resilience Forum being supported **In progress**. Currently the Department for Public Health sits on the Local Resilience Forum executive and co-chairs the Local Health Resilience Partnership. No mechanism in place for linking Public Health risks identified within the Local Resilience Forum back to the Council to ensure they are addressed.
- The other recovery groups supporting economic recovery and renewal and social impact continue to monitor changes in the governments approach to recovery including delivering grants and support services. **In progress**
- The council has been successful and is heavily involved in supporting the National Health Service (NHS) to successfully deliver Covid vaccination to the local population. Including the Community Vaccine Champions scheme to increase targeted take up **In progress**
- The government has set out its Living with Covid Plan **Complete**

**Cause:**  
Inadequate risk assessment and management, lack of or poor safeguarding response, failure to provide adequate health and safety measures

**Potential Impact:**  
Harm, injury or death of person(s) to whom adult and children's social care has a duty  
Potential of legal claim for negligence, corporate manslaughter  
Reputational damage  
Media coverage  
Young people experience serious harm and negative long term impacts

**Trends - Risk Scores**



**Risk Scoring**

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)	5	5	5	5
Likelihood (Inherent)	2	3	3	3
Inherent	10	15	15	15
Impact (Residual)	4	5	5	5
Likelihood (Residual)	2	2	2	2
Residual	8	10	10	10

**Actions and update**

**Adult Social Care and Health**

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- All Directorate staff and relevant other officers receive mandatory training to assess safeguarding risks. Staff and Managers have regular refresher training which is monitored by the Department Workforce Lead. **Ongoing**
- Staff receive 1-1 supervision from their managers where safeguarding is discussed and practice support is available. Ongoing support is provided through the Quality & Safeguarding Team **Ongoing**
- Open safeguarding episodes are reviewed and reported weekly, managers in the teams have oversight and support from senior managers and the Principle Social Worker. **Ongoing**
- RBC follows the local policies and procedures, as set out by West Berkshire Safeguarding Adults Board (SAB) who provide scrutiny **Ongoing**
- All referrals received are screened, risks assessed and prioritisation decisions made. Additional resources have been brought into the team to manage the increased demand which is being monitored **Ongoing**
- Health and Safety measures are in place across the Directorate of Adult Care & Health Services (DACHS). **Ongoing**

**Brighter Futures For Children**

- Risks relating to children's services are managed by Brighter Futures for Children, who have their own risk management arrangements.
- An extra familial risk / contextual safeguarding pathway for adolescents have been established to provide support for young people who would otherwise have been subject of a Child Protection Plan. In 2022 /2023, cross council activity will be embedded to enhance support available for adolescents at risk. **Ongoing**
- Through the leadership of Community Safety and Brighter Futures for Children (BFfC), continue to deliver partnership actions with Thames Valley Police (TVP), the Berkshire, Oxfordshir Buckinghamshire Integrated Care System, and the Berkshire West Adolescent Risk group to ensure an effective safeguarding response to the risks of extra-familial harm, exploitation and serious violence. **Ongoing**
- Ensure that work regarding extra-familial harm, exploitation and the prevention of serious violence is informed by and connects to the work of Social Inclusion Board **Ongoing**
- Corporate Violence Group and partnership working in place **Ongoing**
- Risks relating to children's services are managed by Brighter Futures for Children (BFfC), who have their own risk management arrangements. **Ongoing**

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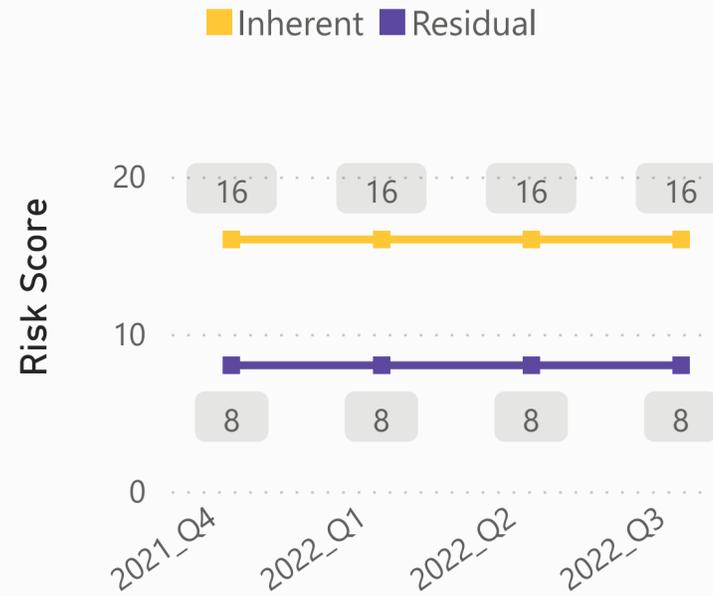
**Corporate Parenting**

- Chief Executive and Director Children Services - led work with the Local Government Association to instigate learning and development regarding the Corporate Parenting duties **Ongoing**
- Mapping across all departments in the Autumn will benchmark all current work supporting Children Looked After and Care Leavers
- Working with Local Government Association **Ongoing**

**Cause:**  
User error, lack of policy guidance and procedures, failure of system reminders, staff workloads resulting in insufficient care and attention to details.

**Potential Impact:**  
Fines/penalties, reputation damage, service failure. Wasted time and cost involved in responding to service failure.

**Trends - Risk Scores**



**Risk Scoring**

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)	4	4	4	4
Likelihood (Inherent)	4	4	4	4
Inherent	16	16	16	16
Impact (Residual)	4	4	4	4
Likelihood (Residual)	2	2	2	2
Residual	8	8	8	8

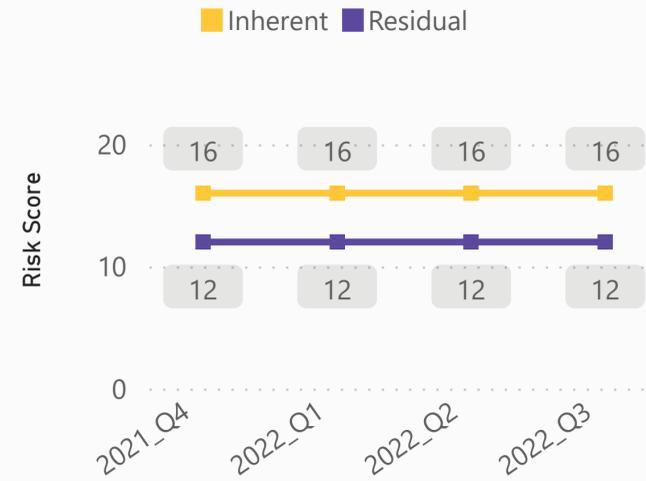
**Actions and update**

- Information Governance Board (IGB) set up to oversee delivery of Information Management Strategy and compliance. **Complete**
- Information Management Strategy agreed at Policy Committee on 7 March 2022. **Complete**
- Ongoing corporate training programme for data protection, raising awareness with staff groups of the need to handle personal data securely and properly. Data Protection Training is mandatory for all staff. **Ongoing**
- Oversight from the Audit and Governance Committee on a quarterly basis. **Ongoing.**
- Face to Face Data Protection refresher training is available for staff as and when needed. **Ongoing.**
- Cascade of compliance requirements now through the Information Governance Champions Network (IGCN). This is being rolled out from Autumn 2022. **Ongoing**
- Subject Access Request policy and Breach Management policy reviewed by Information Governance Board. Further training to be delivered to staff. **Complete.**
- Privacy Notices have been updated for each service area and made available to service users. This is kept under review e.g. were updated for revised Covid operations. Now to be revised in Information Governance Champions Network. **Ongoing**
- Information Sharing Protocols have been centralised and will be reviewed by Information Governance Champions Network. **Ongoing**
- The Council now has retention schedules for each directorate. All retention schedules have been updated and will be reviewed through ongoing IGCN programme to ensure they are being actioned. Further work through the Information Governance Champions Network will ensure that the schedules are given greater visibility and to assess level of compliance. **In progress**
- Records of processing activities (ROPA) being further developed by Data Protection Officer and will help to identify Information Asset Owners within Services. **In progress**

**Cause:**  
For some areas there is a national shortage of skilled staff (e.g. Social Workers, Occupational Therapists, local government lawyers and financial professionals, Planners etc). In other areas local government salaries and the impact of the cost of living crisis may mean that the Council is not able to keep pace with salaries being offered in the private sector (e.g. Surveyors, IT professionals and Drivers) and staff may leave for higher paid jobs in other sectors

**Potential Impact:**  
Failure to meet demand. Statutory duties not met. Negative impact on staff motivation and stress related illness.

**Trends - Risk Scores**



**Risk Scoring**

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)	4	4	4	4
Likelihood (Inherent)	4	4	4	4
Inherent	16	16	16	16
Impact (Residual)	3	3	3	3
Likelihood (Residual)	4	4	4	4
Residual	12	12	12	12

**Actions and update**

**Reading Borough Council**

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- Access to pool of appropriately qualified temporary staff via agency contract **Completed**. Contract has been re-procured from February 2021, for a period of 4 years, which will ensure ongoing value for money.
- The Team Reading Programme is embedded to support delivery of the People Strategy which aims to achieve a highly skilled, high performing and motivated workforce. Programme governance in place through monthly boards with Corporate Management Team (CMT) sponsor **In progress**.
- Resourcing team well established to ensure proactive approach and success of permanent and all other types of recruitment. Time to fill (advert to start date) has reduced to an average of 58 days (January 2023). Success rate of recruitment is currently 80% (January 2023). Whilst fill rates are high for most jobs, there are a small number of jobs where considerable challenges recruiting have been experienced. These difficulties are experienced on a national level by most local authorities and include jobs such as experienced solicitors and senior finance staff. Efforts continue to position these posts in the most attractive light to attract quality candidates.
- Staff Surveys were run in 2021 and 2022 which provides valuable insight into how staff feel about the Council as an employer and an opportunity to build on and maintain positive results and address areas for improvement. Four priority areas for improvement have been identified at a corporate level and actions underway to address them, monitored by the Team Reading Programme Board **In progress**.
- Pulse surveys will take place in 2022 to track progress
- Leadership Development Programme underway to ensure managers deliver high quality, inspiring leadership and role model the Team Reading Leadership Behaviours. **In progress**.
- The Council is part of national pay bargaining so has limited scope to increase pay but market supplement payments can be awarded for particularly hard to fill posts which present recruitment/retention challenges. A communications campaign to continually promote the benefits available to staff is underway (e.g. Employee Assistance Programme, benefits platform and discounts with retailers and gym memberships, lease cars scheme, pensions etc). **In progress**.
- Quarterly reporting of Human Resources performance metrics to Corporate Management Team (CMT) and monthly to Directorate Management Teams (DMT's), to identify areas of good practice that can be shared, and areas that require improvement so that these can be addressed. **In progress**.

**Brighter Futures for Children**

- A number of mitigations are in place to stabilise the high turnover of social workers and to convert agency staff to permanent hires within the Together for Families Team. This include improving recruitment of qualified social workers through a 'grow your own' programme; and improving retention through providing targeted support, bespoke training for managers introducing career pathways, and addressing concerns highlighted from exit interviews such as high caseloads etc. **Ongoing**
- The Human Resources Task & Finish Group has led this targeted intervention (from July 2022) and data shows that all vacancies are now filled with either permanent or agency hires and the high turnover of social workers has ceased.
- A recruitment and retention proposal is currently underway to convert the high number of agency into permanent hires. **Ongoing**



Risk:

Unable to achieve the budget savings, manage costs, as a result of cost of living increases and achieving income targets.

Register:  
Strategic

Risk owner:  
Carter, Darren

**10**  
Current Risk S...

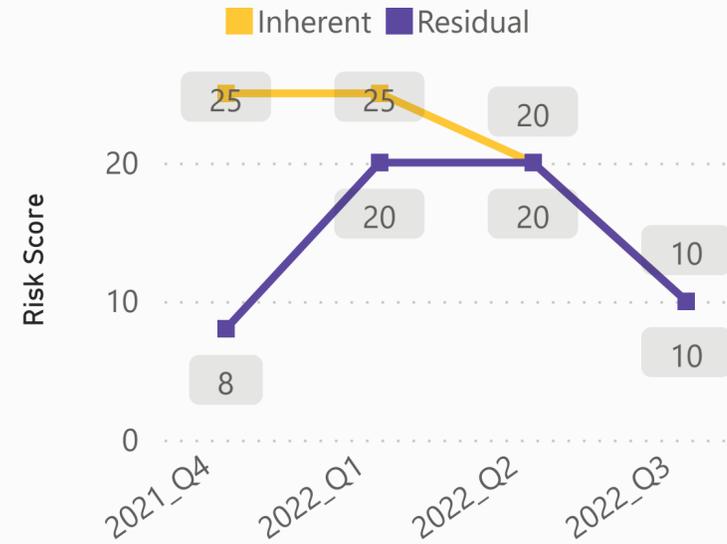
Cause:

Overspends, cost of living increase caused by rising rates of inflation and fuel/energy costs, increasing demand, income targets not met

Potential Impact:

Strategic objectives and statutory duties not met. Council unable to set legal budget. Impact on front-line services.

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Impact (Inherent)	5	5	5	5
Likelihood (Inherent)	5	5	4	2
Inherent	25	25	20	10
Impact (Residual)	4	5	5	5
Likelihood (Residual)	2	4	4	2
Residual	8	20	20	10

Actions and update

Monthly meetings to review savings risk profiles, contingencies and reserves identified.

- The Council set a balanced budget for 2022/23 at its council meeting in February 2022 and current predictions are that the Council will deliver services for 2022/23 within the approved budget. **In progress**
- Detailed planning for the 2023/24 budget is underway. **In progress**
- The draft Medium Term Financial Strategy (MTFS) 2023/24-2025/26 shows a budget gap of £2.4m, increasing to £12.5m in future years. These forecasts have been updated following the announcement of the provisional local government finance settlement. **In progress**
- Monthly updates are provided to Corporate Management Team (CMT) and Leadership. **In progress**
- New savings and efficiency initiatives are being developed and monitored through the Transformation & Efficiency Board. **In progress**
- A review of reserves will be undertaken by the Director of Finance in January 2023 to ensure that they remain adequate. **Not started**
- Negotiation of robust and competitive energy supply contracts via the procurement process (available evidence suggests current contract is performing well, and 'switching' would be ill-advised at this point in any case) **Not started**
- Implementation of the forward buying strategy within the Council's energy contract. **Not started**
- Settlement from Government now received.

READING BOROUGH COUNCIL  
REPORT BY DIRECTOR OF FINANCE

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>24<sup>TH</sup> JANUARY 2023</b>		
<b>TITLE:</b>	<b>IMPLEMENTATION OF THE NEW FINANCE SYSTEM - PROGRESS UPDATE</b>		
<b>LEAD COUNCILLOR:</b>	<b>CLLR TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE &amp; CONSUMER SERVICES</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>DARREN CARTER</b>	<b>TEL:</b>	
<b>JOB TITLE:</b>	<b>DIRECTOR OF FINANCE AND PROJECT SPONSOR</b>	<b>E-MAIL:</b>	<b>darren.carter@reading.gov.uk</b>

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides the latest update on progress with the implementation of the new finance system which is due to go live in April 2023.

## 2. RECOMMENDED ACTION

- 2.1 To note progress of the implementation of the new Finance System.

## 3. CURRENT STATUS

- 3.1 The implementation of the e5 finance system from Advanced is currently at the system test phase. Although there is significant work to complete, the e5 system is expected to go live across RBC and BFfC in April 2023.
- 3.2 Project progress is reviewed every two weeks by the Finance System Board comprising stakeholders from each Directorate, BFfC and senior officers from Advanced.
- 3.3 The e5 system will support the Council's vision for financial management and governance, enabling the adoption of best practice and empowering finance staff and budget managers to improve performance and outcomes.
- 3.4 The key changes in ways of working and improvements in functionality that the e5 system will provide include:
- budget holder self-service with budget holders having direct access to the financial information they need whenever they need it
  - simplified chart of accounts to aid financial reporting.
  - a portal for raising purchase orders
  - improved information on our purchases
  - a simple way to receipt the delivery of goods and services
  - a new process for creating suppliers and customers
  - improvements to our debt management process

- 3.5 The design phase completed in April 2022 and the core build phase in October 2022. This was later than scheduled primarily due to RBC resource availability as well as delays in Advanced completing the infrastructure build. The project team was strengthened in September by two experienced contractors to mitigate RBC resource constraints. A test and cutover manager joined the project in January.
- 3.6 The remaining phases of the implementation and key challenges to overcome are outlined below.

#### **SYSTEM INTEGRATION TESTING**

- 3.7 The integrated system test phase commenced in November and will run to the end of January 2023. The system tests are being performed by key users in finance, procurement, accounts receivable and accounts payable plus some end users. This includes a group of representatives from each Directorate who currently perform purchase ordering and receipting. Testing to date has only identified minor issues which are being fixed in time for user acceptance testing. Further updates on system testing will be submitted to the Finance System Board.

#### **INTERFACES**

- 3.8 The testing of interfaces started in January 2023 and will continue through February. This is a risk area to the project as the ability to test is dependent on the completion of changes being made to iTrent, Mosaic, Civica and NEC Housing Management System. New output files from these systems are due to be provided in late January and early February for testing. Progress is being tracked on a weekly basis.

#### **DATA MIGRATION**

- 3.9 The intention is to minimise the amount of financial data to migrate to e5. The data to be migrated will be:
- General Ledger year-end balances (transactional data for previous financial years will remain available on Oracle)
  - Supplier and Customers Master Data
  - Open Purchase Orders that have been reviewed and verified for carry forward
  - Accounts Receivable transaction data

#### **USER ACCEPTANCE TESTING**

- 3.10 Preparations are underway for user acceptance testing which is due to commence on the 6th of February 2023 and run for four weeks through to the 3rd of March. It is anticipated that between 60 and 80 end users from across RBC and BFfC will participate in UAT with an average commitment of 1 to 2 days.

#### **USER TRAINING**

- 3.11 Optimum, who specialise in finance system training, will prepare eLearning training courses for end users in February. The end user training will cover processes including creation of purchase orders, goods and service receipting, customer invoicing, budget monitoring and forecasting and the financial approval process. Training will be delivered in March and April and will be a combination of on-line courses, user guides and one to one training for specialist roles.

### **READINESS FOR GO-LIVE**

- 3.12 A readiness for go-live assessment will be presented to the Finance System Board on the 16th of February. The Board will review findings from testing, progress with training users, business readiness, the cutover plan and arrangements in place to support and manage the new system. The recommendations from the Finance System Board will be submitted to the Finance Transformation Board.
- 3.13 A final go-live assessment will be presented to the Finance System Board on the 16th of March with go-live recommendations submitted to the Finance Transformation Board.

### **FINANCIAL IMPLICATIONS**

- 3.14 There are no direct financial implications arising from this report. The projected spend on the finance system implementation is in with the approved business case and funding made within the Capital Programme.

### **BACKGROUND PAPERS**

- 3.15 Not applicable to this report.

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# Agenda Item 8

## READING BOROUGH COUNCIL

### REPORT BY DIRECTOR OF FINANCE

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>24<sup>th</sup> JANUARY 2023</b>		
<b>TITLE:</b>	<b>Treasury Management Strategy Mid-Year Review 2022/23</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR BROCK</b>	<b>PORTFOLIO:</b>	<b>LEADER OF THE COUNCIL</b>
<b>SERVICE:</b>	<b>ALL</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>STUART DONNELLY</b>	<b>TEL:</b>	<b>01889 373468</b>
<b>JOB TITLE:</b>	<b>FINANCIAL PLANNING &amp; STRATEGY MANAGER</b>	<b>E-MAIL:</b>	<a href="mailto:stuart.donnelly@reading.gov.uk">stuart.donnelly@reading.gov.uk</a>

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

- 1.1 The Council adopted a Treasury Management Strategy and an Annual Investment Strategy for 2022/23 at its meeting on 23<sup>rd</sup> February 2022.
- 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 1<sup>st</sup> April 2022 to 30<sup>th</sup> September 2022.
- 1.3 The Council has not taken out any new external long-term borrowing (loans) during 2022/23 as of 30<sup>th</sup> September 2022.
- 1.4 The Council has complied with all elements of its Treasury Management Strategy Statement (TMSS) as agreed by Full Council on 23<sup>rd</sup> February 2022.
- 1.5 Section 11 of the main body of this report sets out the changes and proposed changes to the Treasury Management Code, Prudential Code, Public Works Loan Board (PWL) Lending Terms and regulations. This is to ensure strong compliance with the duty of local authorities to make prudent Minimum Revenue Provision each year.
- 1.6 This report has been prepared with reference to the following documents:
  - Treasury Management Strategy 2022/23
  - Quarter 2 Performance Report 2022/23

#### 2. RECOMMENDED ACTION

##### That the Committee note:

- 2.1 The Treasury Management Mid-Year Report for 2022/23.

Appendix 1 - Link Group Economics Update  
Appendix 2 - Investment Criteria & Limits  
Appendix 3 - Investment Portfolio

#### 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 2022/23;
- A review of the Council’s borrowing strategy for 2022/23;
- A review of any debt rescheduling undertaken during 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23;
- An economic update for the first half of the 2022/23 financial year (Appendix 1).

#### 4 INTEREST RATES FORECAST

4.1 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council in formulating a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

4.2 The latest forecast, made on 19<sup>th</sup> December 2022, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the Government is also providing a limited package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

4.3 PWLB rates reflect a less elevated yield curve than prevailed under the Truss/Kwarteng government, and the 17<sup>th</sup> of November Autumn Statement made clear the Government’s priority is the establishment and maintenance of fiscal rectitude. In addition, the Monetary Policy Committee has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation - as measured by wage rises - under control.

4.4 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-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
	%	%	%	%	%	%	%	%
<b>Bank Rate</b>	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25
<b>5-year PWLB</b>	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50
<b>10-year PWLB</b>	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60
<b>25-year PWLB</b>	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90
<b>50-year PWLB</b>	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60

#### The Balance of Risks to the UK

4.5 The overall balance of risks to economic growth in the UK is to the downside.

4.6 Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields);
- **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;
- **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;
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

#### 4.7 Upside risks to current forecasts for UK gilt yields and PWLB rates:

- **The Bank of England** is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- **The Government** acts too quickly to cut taxes and/or increases expenditure in the light of the cost-of-living squeeze;
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt;
- **Longer term US treasury yields** rise strongly and pull gilt yields up even higher than currently forecast;
- **Projected gilt issuance, inclusive of natural maturities and Quantitative Tightening**, could be too much for the markets to comfortably digest without higher yields consequently.

## 5 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

5.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by Full Council on 23<sup>rd</sup> February 2022.

5.2 There are no policy changes required to the TMSS. This report sets out the Council's position compared to the TMSS in 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 2022 (Original Budget) and the Capital Programme as at Quarter 2 (Revised Budget) as approved by Policy Committee as part of the 2022/23 Quarter 2 Performance and Monitoring Report in December 2022.

6.3 The indicators show that the Council is forecasting a positive net variance against the approved Capital Programme budget of £1.201m for the General Fund.

### Table 2. General Fund Capital Programme

General Fund	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Forecast (30 <sup>th</sup> September 2022)	Variance
	£m	£m	£m	£m
Adult Social Care & Health Services	0.686	1.818	1.818	0.000
Economic Growth & Neighbourhood Services	60.624	52.558	52.558	0.000
Economic Growth & Neighbourhood Services - Education Schemes	3.148	4.317	4.317	0.000
Resources	19.389	14.219	14.219	0.000
Corporate	8.226	7.115	5.914	(1.201)
<b>Total General Fund</b>	<b>92.073</b>	<b>80.027</b>	<b>78.826</b>	<b>(1.201)</b>

- 6.4 The indicators show that the Council is forecasting an adverse net variance of £0.060m against the HRA Capital Programme as at the end of Quarter 2. A business case has been submitted as part of the 2023/24 budget setting process and built into the HRA 30-year business plan to add additional budget to complete phase 2 of this project which includes addressing this £0.060m variance from 2022/23.

**Table 3. HRA Capital Programme**

Housing Revenue Account	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Forecast (30 <sup>th</sup> September 2022)	Variance
	£m	£m	£m	£m
Housing Revenue Account	35.442	27.828	27.888	0.060
<b>Total Housing Revenue Account</b>	<b>35.442</b>	<b>27.828</b>	<b>27.888</b>	<b>0.060</b>

- 6.5 Further details on significant variances on individual capital schemes are reported to Policy Committee as part of the Quarterly Performance and Monitoring Reports.

#### Changes to the Financing of the Capital Programme

- 6.6 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	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Forecast (30 <sup>th</sup> September 2022)
	£m	£m	£m
<b>Total Capital Expenditure</b>	<b>92.073</b>	<b>80.027</b>	<b>78.826</b>
<b>Financed by:</b>			
Capital Receipts	2.126	4.065	2.864
Capital Grants and other Contributions	39.045	41.288	41.288
<b>Total Financing (excluding Borrowing)</b>	<b>41.171</b>	<b>45.353</b>	<b>44.152</b>
<b>Net Borrowing Requirement</b>	<b>50.902</b>	<b>34.674</b>	<b>34.674</b>

**Table 5. Financing of the HRA Capital Programme**

Housing Revenue Account	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Forecast (30 <sup>th</sup> September 2022)
	£m	£m	£m
<b>Total Capital Expenditure</b>	<b>35.442</b>	<b>27.828</b>	<b>27.888</b>
<b>Financed by:</b>			
Capital Receipts	0.915	0.915	0.915
Capital Grants and other Contributions	6.074	9.019	9.019
Capital Reserves	16.790	12.161	12.161
Revenue	0.600	0.502	0.562
<b>Total Financing (excluding Borrowing)</b>	<b>24.379</b>	<b>22.597</b>	<b>22.657</b>
<b>Net Borrowing Requirement</b>	<b>11.063</b>	<b>5.231</b>	<b>5.231</b>

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

- 6.7 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 23<sup>rd</sup> February 2022, which was £690.828m. The revised Operational Boundary is £646.262m which has reduced due to the revised expenditure and financing forecasts.

**Table 6. Capital Financing Requirement and Operational Boundary**

	2022/23 Original Estimate	2022/23 Forecast (30 <sup>th</sup> September 2022)
	£m	£m
<b>Prudential Indicator - Capital Financing Requirement</b>		
CFR - General Fund	463.003	427.620
CFR - HRA	207.825	199.006
<b>Total CFR</b>	<b>670.828</b>	<b>626.626</b>
<b>Prudential Indicator - Operational Boundary for External Debt</b>		
Borrowing	670.828	626.626
Headroom	20.000	20.000
<b>Operational Boundary</b>	<b>690.828</b>	<b>646.626</b>

- 6.8 The Council's current level of external debt (as at 30<sup>th</sup> September 2022) is £409.156m, as set out in Table 7 below. The Council is therefore operating significantly within its Operational Boundary.

### Limits to Borrowing Activity

- 6.9 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 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy within the TMSS for borrowing in advance of need which will be adhered to if this proves prudent.

**Table 7. Capital Financing Requirement and Actual Borrowing**

	2022/23 Original Estimate	2022/23 Current Position (30 <sup>th</sup> September 2022)	2022/23 Forecast (30 <sup>th</sup> September 2022)
	£m	£m	£m
Borrowing	486.703	386.010	399.840
Other Long-Term Liabilities	23.146	23.146	23.146
<b>Total Debt</b>	<b>509.849</b>	<b>409.156</b>	<b>422.986</b>
<b>CFR (year end position)</b>	<b>670.828</b>	<b>626.626</b>	<b>626.626</b>
<b>Over/(under) Borrowing</b>		<b>(217.470)</b>	<b>(203.640)</b>

- 6.10 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 the Authorised Limit. The current level of external debt of £409.156m (as at 30<sup>th</sup> September 2022) is significantly within the Authorised Limit.

**Table 8. Authorised Limit**

	2022/23 Original Indicator	2022/23 Forecast (30 <sup>th</sup> September 2022)
	£m	£m
Operational Boundary	690.828	646.626
Headroom	40.000	40.000
<b>Total Authorised Limit</b>	<b>730.828</b>	<b>686.626</b>

## 7 BORROWING

- 7.1 The Council's estimated capital financing requirement (CFR) for 2022/23 as at 30<sup>th</sup> September 2022 is £626.626m. 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 £409.156m and has utilised £217.470m 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 combination of re-profiling of capital expenditure into future years and additional grant income being received, the Council has not needed to undertake any new long-term PWLB borrowing during 2022/23 as at 30<sup>th</sup> September 2022.
- 7.4 It is possible that the Council may need to borrow during Quarter 4 of 2022/23 as cash balances are forecast to reduce during this quarter. This is primarily as a result of £21m of s31 grant repayments to Central Government (in respect of cashflow support given in respect of 2021/22 additional business rate reliefs, as part of the Business Rate Retention Scheme), falling 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 2023/24 in order to achieve optimum value and risk exposure in the long-term.

## **8 DEBT RESCHEDULING**

- 8.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.
- 8.2 Whilst debt rescheduling has not taken place, two of the Lender Option Borrower Option (LOBO) loans included in the loan balances as at 30<sup>th</sup> September 2022 were subsequently repaid early in order to benefit from savings on the Council's Capital Financing budgets over future years. At the current time no further external loans have been taken to replace those repaid.

## **9 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS**

- 9.1 During the half year ended 30<sup>th</sup> September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022/23.
- 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 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 23<sup>rd</sup> February 2022. 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.
- 10.3 The Council's Annual Investment Strategy will be reviewed and updated as appropriate for 2023/24 to ensure that there is a greater correlation between the investment counterparty list and the Council's ethical values.

### **Creditworthiness**

- 10.4 Officers continue to closely monitor credit ratings, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

### **Investment Balances**

- 10.5 The average level of funds available for investment purposes during the year to 30<sup>th</sup> September 2022 was £73.668m. 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. The investment performance set out in Table 9 below excludes the

investments made in the CCLA Property Fund and the loans to the Council’s wholly owned companies.

**Table 9. Investment Performance Year to Date as at 30<sup>th</sup> September 2022**

Period	SONIA Benchmark Return	Council Performance	Investment Interest Earned
	%	%	£m
7 Day	1.22	1.27	0.466

10.6 The Council also has £15.000m invested in the CCLA Property Fund which is a long-term investment and has received an income of £0.363m over the six-month period to 30<sup>th</sup> September 2022. The total return on the fund is 4.84%.

10.7 In 2018 the Government introduced a statutory override following the adoption of International Financial Reporting Standard 9 (IFRS 9). The statutory override requires authorities to remove the impacts of the fair value movements of pooled investment funds, such as the CCLA Property Fund, from their budgets and record them in an unusable reserve. The statutory override was time-limited to five years and was due to end in March 2023. However, in August 2022 the Government issued a consultation document seeking views regarding the future of the statutory override and announced a further two year extension to 31st March 2025 in December 2022, with the full Government response expected to be published in early 2023.

10.8 Officers can confirm that the approved limits within the Annual Investment Strategy (attached as Appendix 2) were not breached during the quarter ended 30<sup>th</sup> September 2022.

10.9 The Council’s investment position as at 30<sup>th</sup> September 2022 is detailed at Appendix 3. The portfolio includes loans made to Homes for Reading Ltd where principal repayments due in September 2022 were not made. There is a review underway and refinancing proposals will be reviewed following a board meeting in February/March 2023.

## 11 2022/23 CONSULTATIONS & GUIDANCE CHANGES

### Minimum Revenue Policy (MRP)

11.1 The Department for Levelling Up, Housing and Communities launched a consultation on 30<sup>th</sup> November 2021 until 8<sup>th</sup> February 2022, seeking views on proposed changes to regulations to improve enforcement of the duty of local authorities to make prudent Minimum Revenue Provision each year.

11.2 One of these proposals would, if implemented, require councils 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.

11.3 The latest information we have is that any changes will take effect from 2024/25 at the earliest; 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

18.1 None.

## Appendix 1 - Link Group Economics Update

1. The third quarter of 2022/23 saw:
  - A 0.5% m/m rise in Gross Domestic Product (GDP) in October, mostly driven by the reversal of bank holiday effects;
  - Signs of economic activity losing momentum as households increased their savings;
  - Consumer Price Index (CPI) inflation fall to 10.7% in November after peaking at 11.1% in October;
  - A small loosening in the labour market which pushed the unemployment rate up to 3.7% in October;
  - Interest rates rise by 125bps over Q4 2022, taking Bank Rate to 3.50%;
  - Reduced volatility in UK financial markets but a waning in global risk appetite.
2. GDP fell by 0.3% q/q in Q3 2022 (ending 30<sup>th</sup> September), which probably marked the start of the UK recession. About half of that decline was the effects of the extra bank holiday in September for the Queen's funeral. The unwinding of those bank holiday effects meant that GDP rebounded in October and explained at least 0.3 percentage points (ppts) of the 0.5% m/m rise. Accordingly, if GDP were to avoid falls of more than 0.2% m/m in November and December, then GDP over Q4 as a whole could avoid a contraction, which would prevent a recession in 2022.
3. However, at 49.0 in December, the flash composite activity Purchasing Managers' Index (PMI) stayed below the "boom-bust" level of 50 and pointed to a small 0.1% q/q contraction in GDP in Q4. Consumer confidence was -42 in December and stayed close to its record low of -49 in September. Strike action could be another small drag and may mean that GDP is 0.0% to 0.5% lower than otherwise in December. GDP is projected to contract marginally in Q4 by around 0.1% q/q.
4. Meanwhile, the 0.4% m/m fall in retail sales volumes in November only reversed some of the 0.9% m/m rise in October. That left sales volumes 4.5% below their level at the start of the year. Indeed, the rise in the household saving rate from 6.7% in Q2 to 9.0% in Q3 implied that higher interest rates are encouraging households to save more. And a larger-than-usual £6.2bn rise in cash in household bank accounts in October may imply households have started to increase their precautionary savings.
5. There were signs that the labour market was loosening gradually going into the final quarter of 2022. Although employment in the three months to October rose by 27,000, the fall in the composite PMI employment balance in December took it into contractionary territory and suggests that labour demand will cool. Meanwhile, labour supply improved as inactivity fell by 76,000 in the three months to October. That helped drive a rise in the unemployment rate from 3.6% in September to 3.7% in October. The number of job vacancies in November fell for the sixth consecutive month and were 18% below their peak in May.
6. Crucially, though, wage growth remained resilient. Average earnings growth, excluding bonuses, grew by 0.7% m/m in October, above the 2022 monthly average of 0.5% m/m. That drove the 3m y/y rate up to 6.2%, well above the rates of 3-3.5% consistent with inflation at its 2% target. Wage growth is likely to slow gradually in the coming months as the labour market loosens further but if extensive strike action is successful in achieving large pay increases, then wage growth could be a bit stronger for longer.

7. CPI inflation peaked in October at a 41-year high of 11.1% and fell to 10.7% in November. Goods price inflation, which is driven largely by global factors, has peaked. The sharp rises in energy prices in 2022 mean that energy price inflation will fall sharply in 2023. Meanwhile, the large fall in agricultural prices since May means that food price inflation should start to decline soon. What's more, upward pressure on goods price inflation from global supply shortages is fading quickly.
8. Domestic inflation pressures also eased in Q4. The 0.2% m/m rise in core CPI inflation in November was the smallest monthly gain since August 2020 and drove a fall in core CPI inflation from 6.5% in October to 6.3% in November. Services CPI inflation was stable at 6.3% in November despite the resilience of wage growth. And the easing of price expectations in the Bank of England's Decision Maker Panel survey in November suggests that inflation may become less persistent.
9. The Chancellor's Autumn Statement on 17<sup>th</sup> November succeeded in restoring the Government's fiscal credibility in the eyes of the financial markets without deepening the recession. The total fiscal consolidation package of £54.9bn (1.8% of GDP) in 2027/28 made the outlook for fiscal policy much tighter than at the beginning of Q4. The package was heavily backloaded, with net handouts of £3.8bn (0.15% of GDP) in 2023/24 and £0.3bn (0.01% of GDP) in 2024/25, and most of the tightening kicking in after 2024/25. The largest fiscal support was the extension of the Energy Price Guarantee for another 12 months, until April 2024, although at a higher price cap of £3,000 from April 2023 rather than £2,500. At the same time, the Chancellor loosened the fiscal rules by requiring debt as a percentage of GDP to be falling in five years' time, rather than three. The Office of Budget Responsibility (OBR) estimated that the Chancellor will meet this new rule with a slim £9.2bn (0.3% of GDP) to spare.
10. With fiscal policy now doing much less to fan domestic inflation pressures, we think Bank Rate will peak at 4.50%, or at least close to that figure. Despite stepping up the pace of policy tightening to a 75-basis point (bps) rate hike in November, taking Bank Rate from 2.25% to 3.00%, the MPC's communication was dovish. The MPC pushed back heavily against market rate expectations, which at the time were for Bank Rate to peak at 5.25%. The Bank's new forecasts predicted a deeper and longer recession than the analyst consensus, of eight quarters and with a peak-to-trough fall in real GDP of 2.9%.
11. The Bank sounded dovish again in December when it slowed the pace of tightening with a 50bps rate rise, from 3.00% to 3.50%. Two members, voted to leave rates unchanged, judging that the current level of Bank Rate was sufficient to bring inflation back to target. That said, the rest of the MPC appeared to suggest that further rate hikes would be necessary. We expect that the majority of the MPC will need to see stronger signs that activity is slowing, the labour market is loosening, and wage growth is slowing before stopping rate rises. As such, we expect that the MPC will deliver three further rate hikes in February, March and May, taking Bank Rate to a peak of 4.50% but with the pace of increase reducing to 25bps in March and May.
12. Gilt yields have fallen sharply since their highs following the "mini-budget" on 23<sup>rd</sup> September as government fiscal credibility has been largely restored with the fiscal consolidation package announced at the Autumn Statement on 17<sup>th</sup> November. Indeed, the 10-year yield fell from a peak of 4.55% to about 3.60% now, while the 30-year yield fell from 5.10% to 3.90%. Admittedly, yields rose by around 50bps in December, partially on the back of a global rise in yields. But if we are right in thinking Bank Rate will fall back in 2024 and 2025 then gilt yields will probably fall over the next two years, with the 10-year yield slipping from around 3.60% now to 3.30% by the end of 2023 and to 2.80% by the end of 2024.
13. Lower volatility in gilt markets in Q4 meant that the Bank of England was able to stop its purchases of long-term gilts for financial stability reasons as planned on 14<sup>th</sup> October. It was also able to begin active gilt sales in November, albeit with a focus on shorter dated gilts. So far quantitative

tightening has had little influence on short-term money markets. But as it is still an experiment, the risk of a widespread tightening in financial conditions remains.

14. The restoration of fiscal credibility boosted the pound and the FTSE 100 early in Q4. While much of the benefit passed in the first half of Q4, sterling continued to rally against a softer dollar. Our colleagues at Capital Economics do not think that the global recession is fully priced into markets, and so expect a further fall in risk appetite to boost safe haven demand for the dollar and weigh on the pound. They are expecting the pound to fall from \$1.19 now to \$1.10 in mid-2023, before climbing to \$1.15 by the end of 2023 as the prospect of lower interest rates and a recovery in global economic growth buoys equity prices.
15. Through December, the rally in the FTSE 100 petered out as investors have become increasingly concerned by the prospect of a global recession. However, the relatively dovish tone of the Bank of England, compared to the Federal Reserve and the ECB meant that UK equities held up better than other developed market indices. Indeed, at 7,452 at the December month end, the FTSE 100 is only marginally below its peak of 7,568 on 5<sup>th</sup> December, while the S&P 500 is around 4% lower over the same period. Nevertheless, there is a great deal of uncertainty as to which direction markets will move in 2023 and at what pace. Continued volatility is anticipated.

## 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		2 Year
	AA-		
	A+		
	A		1 Year
	A-		
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

	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	£30m	£30m	£30m

### Appendix 3 - Investment Portfolio as at 30<sup>th</sup> September 2022

Borrower	Amount £m	Interest rate	Start date	Maturity date	LAs Credit Rating	Country
<b>Treasury Investments</b>						
Lloyds Bank Plc (RFB) - current account	9.733	2.15%	N/A	N/A	A+	
SLI Sterling Liquidity/Cl 2	4.580	2.13%	N/A	N/A	AAA	
Federated Prime Rate Sterling Liquidity 4	19.373	2.08%	N/A	N/A	AAA	
CCLA Local Authorities Property Fund	15.000	4.84%	31/03/15	N/A	N/A	
<i>Fixed term deposits:</i>						
Landesbanken Hessen-Thuringen Girozentrale	10.000	2.25%	14/09/22	14/10/22	Non UK A+	Germany
Qatar National Bank	5.000	1.93%	12/07/22	12/10/22	Non UK A	Qatar
SMBC Bank International	10.000	2.22%	14/09/22	14/10/22	A-	UK
Standard Chartered Bank (Sustainable)	15.000	2.18%	01/09/22	01/11/22	A+	UK
<b>Total Treasury Investments</b>	<b>88.686</b>					
<b>Non-Treasury Investments</b>						
Brighter Futures for Children Ltd	5.000	1.81%	25/03/21	24/03/26	N/A	
Homes for Reading Ltd	1.100	3.25%	29/09/17	26/09/22	N/A	
Homes for Reading Ltd	0.400	3.38%	23/01/18	26/09/22	N/A	
Homes for Reading Ltd	0.800	3.59%	28/02/18	26/09/22	N/A	
Homes for Reading Ltd	0.700	3.58%	20/03/18	26/09/22	N/A	
Homes for Reading Ltd	0.800	3.62%	25/04/18	24/03/23	N/A	
Homes for Reading Ltd	0.800	3.57%	11/05/18	24/03/23	N/A	
Homes for Reading Ltd	2.000	3.48%	29/08/18	24/03/23	N/A	
Homes for Reading Ltd	3.000	3.41%	24/09/18	24/03/23	N/A	
Homes for Reading Ltd	4.000	3.19%	11/12/18	24/03/23	N/A	
Homes for Reading Ltd	2.000	3.38%	07/02/19	24/03/23	N/A	
Homes for Reading Ltd	1.300	3.51%	29/06/18	24/03/23	N/A	
Homes for Reading Ltd	7.000	3.75%	16/04/19	24/03/29	N/A	
Reading Transport Ltd	4.609	5.00%	30/04/19	30/04/29	N/A	
Reading Transport Ltd	0.500	5.00%	15/08/19	30/07/29	N/A	
Reading Transport Ltd	0.490	5.00%	08/04/18	01/07/23	N/A	
Reading Transport Ltd	0.207	5.00%	03/06/18	01/07/23	N/A	
Reading Transport Ltd	0.164	5.00%	29/07/18	01/07/23	N/A	
Reading Transport Ltd	0.151	5.00%	20/01/20	01/01/24	N/A	
Reading Transport Ltd	0.700	5.00%	21/08/20	01/10/24	N/A	
<b>Total Non-Treasury Investments</b>	<b>35.721</b>					
<b>Total Investments*</b>	<b>124.407</b>					

\*Values above do not include lease agreements with Reading Transport Ltd.



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READING BOROUGH COUNCIL  
REPORT BY DIRECTOR OF FINANCE

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>24<sup>th</sup> JANUARY 2023</b>		
<b>TITLE:</b>	<b>2022/23 QUARTER 2 PERFORMANCE AND MONITORING REPORT</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE SERVICES AND RESOURCES</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
	<b>CORPORATE IMPROVEMENT AND CUSTOMER SERVICES</b>		
<b>LEAD OFFICER:</b>	<b>STUART DONNELLY</b>	<b>TEL:</b>	
<b>JOB TITLE:</b>	<b>FINANCIAL PLANNING &amp; STRATEGY MANAGER</b>	<b>E-MAIL:</b>	<a href="mailto:stuart.donnelly@reading.gov.uk">stuart.donnelly@reading.gov.uk</a>

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The 2022/23 Quarter 2 Performance and Monitoring Report was presented to Policy Committee on 15<sup>th</sup> December 2022. This report sets out the projected revenue and capital outturn positions for 2022/23 for both the General Fund and the Housing Revenue Accounts as at the end of Quarter 2 (September 2022).
- 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 2022/23 Quarter 2 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 15<sup>th</sup> December 2022.

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

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>15<sup>th</sup> DECEMBER 2022</b>		
<b>TITLE:</b>	<b>2022/23 QUARTER 2 PERFORMANCE AND MONITORING REPORT</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE SERVICES AND RESOURCES</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
	<b>CORPORATE IMPROVEMENT AND CUSTOMER SERVICES</b>		
<b>LEAD OFFICER:</b>	<b>STUART DONNELLY</b>	<b>TEL:</b>	<b>01189 373468</b>
<b>JOB TITLE:</b>	<b>FINANCIAL PLANNING &amp; STRATEGY MANAGER</b>	<b>E-MAIL:</b>	<a href="mailto:stuart.donnelly@reading.gov.uk">stuart.donnelly@reading.gov.uk</a>

## **2 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

2.1 This report sets out the projected revenue and capital outturn positions for 2022/23 for both the General Fund and the Housing Revenue Accounts as at the end of Quarter 2 (September 2022).

### **General Fund (Revenue)**

2.2 The forecast General Fund (GF) revenue outturn position at the end of Quarter 2 includes a projected adverse net variance on service expenditure of £3.509m. This variance is offset by a projected £4.776m positive net variance on Corporate Budgets, of which £3.627m relates to the unallocated Corporate Contingency, resulting in a projected overall positive net variance of £1.267m.

2.3 The forecast adverse variance on services includes net pressures totalling £1.232m within Adult Care and Health Services relating to care cost pressures; £1.389m within Economic Growth and Neighbourhood Services, primarily relating to ongoing income shortfalls in Car Parking and Planning as an ongoing impact of Covid-19; £1.437m within Brighter Futures for Children (BFfC), relating to pay, inflation and demand pressures; and a total of £0.158m across Resources and Chief Executive Services. Detailed explanations for these variances are contained in Section 4 of this report.

2.4 These pressures are offset by positive net variances within Corporate Budgets, specifically £1.908m on Capital Financing Costs as a result of the 2021/22 Capital Programme outturn position and £3.627m on Corporate Contingencies.

2.5 Other Corporate Budgets are forecasting an adverse net variance of £0.759m. This variance includes a pressure of £1.140m relating to the 2022/23 pay award that was agreed in November 2022. A pay award of 2% was assumed as part of 2022/23 budget setting with additional contingency retained corporately to fund a pay award up to 4%. The £1.140m pressure is the total pressure net of the budgeted 2% increase and the

contingency. This pressure on pay inflation is partially offset by positive net variances of £0.381m within Other Corporate Budgets.

- 2.6 £1.935m (19%) of budgeted savings have been delivered (blue) to date in this financial year, with a further £5.020m (49%) of savings on track to be delivered (green) by March 2023. £2.084m (20%) of savings are currently categorised as non-deliverable (red) and £1.185m (12%) categorised as at risk of delivery (amber). There is therefore a potential impact on the 2023/24 budget should these savings not be deliverable on a recurring basis. These savings will be reviewed as part of the 2023/24 budget setting and 2023/24-2025/26 Medium Term Financial Strategy processes.

### **Housing Revenue Account**

- 2.7 The Housing Revenue Account (HRA) is projecting a positive net variance of £2.662m as at the end of Quarter 2, which results in a forecast contribution to HRA reserves of £0.508m.

### **Capital**

- 2.8 Following a review of the Capital Programme during Quarter 2, the General Fund Capital Programme is forecasting a positive net variance of £1.201m against a proposed revised budget of £80.027m in 2022/23. This variance relates to £1.151m of the Delivery Fund that has not yet been allocated to specific proposals as at the end of Quarter 2 and a forecast positive variance of £0.050m on approved Delivery Fund allocations.
- 2.9 The additional savings relating to the revenue costs of financing the Capital Programme as a result of this review have been reflected within the Capital Financing Costs budget.
- 2.10 The HRA Capital Programme is forecasting an adverse variance of £0.060m against a revised budget of £27.828m in 2022/23.

### **Performance**

- 2.11 The report also sets out performance against the measures of success published in the Council's Corporate Plan.
- 2.12 The detail supporting this report is included in:

- Appendix 1 - Financial Monitoring for Quarter 2
- Appendix 2 - Capital Programme for Quarter 2
- Appendix 3 - Corporate Plan Measures for Quarter 2
- Appendix 4 - Corporate Plan Projects for Quarter 2

## **3 RECOMMENDED ACTIONS**

### **That Policy Committee notes:**

- 2.2 The forecast General Fund revenue outturn position as at the end of Quarter 2 is a positive net variance of £1.267m;
- 2.3 The Housing Revenue Account (HRA) is projecting a positive net variance of £2.662m as at the end of Quarter 2, which results in a forecast contribution to HRA reserves of £0.508m;
- 2.4 £1.935m (19%) of savings have been delivered (blue) to date in this financial year, with a further £5.020m (49%) of savings on track to be delivered (green) by March 2022.

£2.084m (20%) of savings are currently categorised as non-deliverable (red) and £1.185m (12%) categorised as at risk of delivery (amber);

- 2.5 There is a total £4.065m Delivery Fund available for 2022/23 (inclusive of 2021/22 approved carry forwards). At Quarter 2, £2.914m of this funding has been allocated out to approved schemes;
- 2.6 The General Fund Capital Programme is reporting a positive net variance of £1.201m against a revised budget of £80.027m;
- 2.7 The HRA Capital Programme is forecasting an adverse variance of £0.060m against a revised budget of £27.828m;
- 2.8 The performance achieved against the Corporate Plan success measures as set out in Section 12 of this report and Appendices 3 and 4.

**That Policy Committee approves:**

- 2.9 That the BFfC Contract Sum for 2022/23 is increased by £0.707m in order to fund the additional pressure arising from the 2022/23 pay award;
- 2.10 The amendments to the General Fund Capital Programme (as set out in further detail in Section 11 of this report and Appendix 2) resulting in a revised budget of £80.027m;
- 2.11 The amendments to the HRA Capital Programme (as set out in further detail in Section 11 of this report and Appendix 2) resulting in a revised budget of £27.828m;
- 2.12 Spend approval for the Capital Programme Schemes set out in Table 10 totalling £0.880m and paragraph 11.9 totalling £0.162m.

#### **4 POLICY CONTEXT**

- 4.1 The Council approved the 2022/23 Budget and Medium-Term Financial Strategy 2022/23 - 2024/25 in February 2022.

#### **5 GENERAL FUND REVENUE**

- 5.1 The forecast outturn as of Quarter 2 is a net positive variance of £1.267m and is broken down by service in the following table:

**Table 1. General Fund Forecast 2022/23**

2021/22 Outturn £m		Budget £m	Forecast Outturn £m	Variance £m
40.611	Adult Care and Health Services	43.394	44.626	1.232
24.252	Economic Growth and Neighbourhood Services	18.548	19.937	1.389
16.343	Resources	17.719	17.844	0.125
1.550	Chief Executive Services	1.541	1.574	0.033
0.684	Children's Services retained by Council	0.781	0.781	0.000
47.392	Children's Services delivered by BFFC	48.251	48.981	0.730
<b>130.832</b>	<b>Total Service Expenditure</b>	<b>130.234</b>	<b>133.743</b>	<b>3.509</b>
13.155	Capital Financing Costs	16.381	14.473	(1.908)
0.000	Contingency	3.627	0.000	(3.627)
(1.298)	Other Corporate Budgets	(0.252)	0.507	0.759
<b>11.857</b>	<b>Total Corporate Budgets</b>	<b>19.756</b>	<b>14.980</b>	<b>(4.776)</b>
<b>142.689</b>	<b>Net Budget Requirement</b>	<b>149.990</b>	<b>148.723</b>	<b>(1.267)</b>
	<b>Financed by:</b>			
(99.220)	Council Tax Income	(104.403)	(104.403)	0.000
(32.095)	NNDR Local Share	(26.510)	(26.510)	0.000
(2.108)	New Homes Bonus	(2.038)	(2.038)	0.000
(3.549)	Section 31 Grant	(12.580)	(12.580)	0.000
(2.040)	Revenue Support Grant	(2.108)	(2.108)	0.000
(6.739)	Other Government Grants	(2.404)	(2.404)	0.000
(0.415)	One-off Collection Fund Deficit	19.981	19.981	0.000
0.000	Section 31 Grants Released from Reserves	(19.928)	(19.928)	0.000
<b>(146.166)</b>	<b>Total Funding</b>	<b>(149.990)</b>	<b>(149.990)</b>	<b>0.000</b>
<b>(3.477)</b>	<b>Over / (under) Budget</b>	<b>0.000</b>	<b>(1.267)</b>	<b>(1.267)</b>

5.2 These variances have been categorised and summarised in the following table, which highlights that the Council is forecasting a total of £8.461m of pressures comprising:

- £2.052m of inflationary pressures, of which £1.140m relate to the latest employer's pay offer for 2022/23;
- £2.832m of demand pressures across adult's and children's social care and Economic Growth & Commercial Services;
- £2.477m of income pressures, predominantly within Economic Growth and Neighbourhood Services, partially due to the ongoing impacts of Covid-19 e.g., the reduced demand on car parking spaces;
- £1.100m of other expenditure pressures across Economic Growth and Neighbourhood Services, Resources and Childrens Services delivered by BFFC.

5.3 These pressures are offset by a total of £8.580m of the following savings and contingencies:

- £2.859m of expenditure savings across services, mainly due to £1.632m within Economic Growth and Neighbourhood Services particularly Environmental and Commercial Services due to lower waste disposal tonnage levels and staffing vacancies, and £1.198m within BFFC mainly due to forecast pressure reductions as reported by the finance team;
- £0.953m of income savings across services, mainly due to £0.410m of additional grant income within BFFC and £0.383m of income over-achievement in Bus Lane

Enforcement (£0.117m) and On Street Pay & Display Car Parking within Economic Growth and Neighbourhood Services;

- £1.908m of expenditure savings within Capital Financing Costs resulting from the 2021/22 Capital Programme Outturn position and the 2022/23 Capital Programme forecast as at Quarter 2;
- £3.627m of unallocated Corporate Contingency;
- £0.381m of expenditure savings within Other Corporate Budgets.

5.4 The £1.140m of forecast pressures relating to the latest employers' pay offer will have an ongoing impact on the Council's Medium Term Financial Strategy as they are recurring pressures. The other pressures and savings will be reviewed to assess whether or not they are recurring and need to be addressed as part of the 2023/24 budget setting and 2023/24-2025/26 Medium Term Financial Strategy processes.

**Table 2. General Fund Forecast Variance by Type 2022/23**

	Expenditure Pressures			Income Pressures	Total Pressures	Savings			Total Pressures
	Inflation	Demand	Other			Expenditure	Income	Total	
	£m	£m	£m			£m	£m	£m	
Adult Care and Health Services	0.000	1.232	0.000	0.000	1.232	0.000	0.000	0.000	1.232
Economic Growth and Neighbourhood Services	0.270	0.618	0.406	2.110	3.404	(1.632)	(0.383)	(2.015)	1.389
Resources	0.000	0.000	0.284	0.030	0.314	(0.029)	(0.160)	(0.189)	0.125
Chief Executive Services	0.000	0.000	0.000	0.033	0.033	0.000	0.000	0.000	0.033
Children's Services retained by Council	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Children's Services delivered by BFfC	0.642	0.982	0.410	0.304	2.338	(1.198)	(0.410)	(1.608)	0.730
<b>Total Service Expenditure</b>	<b>0.912</b>	<b>2.832</b>	<b>1.100</b>	<b>2.477</b>	<b>7.321</b>	<b>(2.859)</b>	<b>(0.953)</b>	<b>(3.812)</b>	<b>3.509</b>
Capital Financing Costs	0.000	0.000	0.000	0.000	0.000	(1.908)	0.000	(1.908)	(1.908)
Contingency	0.000	0.000	0.000	0.000	0.000	(3.627)	0.000	(3.627)	(3.627)
Other Corporate Budgets	1.140	0.000	0.000	0.000	1.140	(0.381)	0.000	(0.381)	0.759
<b>Total Corporate Budgets</b>	<b>1.140</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.140</b>	<b>(5.916)</b>	<b>0.000</b>	<b>(5.916)</b>	<b>(4.776)</b>
<b>Total</b>	<b>2.052</b>	<b>2.832</b>	<b>1.100</b>	<b>2.477</b>	<b>8.461</b>	<b>(8.775)</b>	<b>(0.953)</b>	<b>(9.728)</b>	<b>(1.267)</b>

**Adult Care and Health Services - £1.232m adverse variance**

- 5.5 Adult Care and Health Services is forecasting an adverse net variance of £1.232m at Quarter 2, which is an adverse movement of £0.668m since Quarter 1. This pressure relates to the current care cost forecast being £37.027m compared to a budget of £35.795m.
- 5.6 The forecast overspend includes a number of factors:
- 313 new packages have been raised since April 2022, of which 123 were in Quarter 2;
  - The overall services users have increased from 1,552 at the start of 2022/23 to 1,587 at week 28 (10/10/2022), an increase of 35 users. This is the overall net impact of new cases, ceased cases and reviews;
  - From April 2022, there has been a number of cases leaving adult social care, in addition to a number of high-level reviews completed within the service from April 2022 to September 2022, resulting in savings totalling £0.544m, reducing the financial pressure within DACHS;
  - The directorate has a total savings target of £1.735m. At Quarter 2, they have achieved £1.011m and are on track to deliver a further £0.203m which together is 70% of the target;
  - The directorate also has a recovery plan in place to address the overspend with a further target of £2.189m. At Quarter 2 they have achieved £1.218m which is 56% of the target. They are working strongly towards achieving the remaining £0.971m and are recruiting additional staff funded via the Delivery Fund to support this recovery. However, for Quarter 2 monitoring we have assumed an achievement of an additional £0.572m based on the current rate, and prudent accounting. This will continue to be monitored closely, with an aim to complete a further 647 reviews.
- 5.7 The forecast does not include additional costs arising from any winter pressures, such as increases in Covid cases, temporary closure of services and use of alternative higher cost placements, or increased numbers in care through the additional requirement of discharging people from hospital beds. It is assumed that any additional costs would be covered through additional Health or grant income so are not included in the figures but wanted it noting for full transparency of potential pressures.

#### **Economic Growth and Neighbourhood Services - £1.389m adverse variance**

- 5.8 Economic Growth and Neighbourhood Services is forecasting an adverse net variance of £1.389m at Quarter 2 as set out in the following paragraphs. This is a positive movement of £0.280m from Quarter 1. The forecasts include the impact of £1.984m of savings being categorised as non-deliverable and £0.587m of savings being at risk of delivery.

#### **Transportation - £0.393m adverse variance**

- 5.9 This variance arises mostly from an anticipated income shortfall of £0.333m still attributable to the aftermath of Covid-19. Based on year-to-date activity levels in parking and traffic enforcement, income levels as at Quarter 2 are above those in the same period last year and the recovery is gaining momentum, particularly for Off-Street Car Parking - the most material Parking income stream by budget. The table below shows the position since 2019/2020 the baseline year before the impact of the Covid Pandemic.

#### **Table 3. Off Street Car Parking Income Trend**

Financial Year	Budget	Actual/Forecast	Variance
	£m	£m	£m
2019/20	(4.244)	(4.333)	(0.088)
2020/21	(4.734)	(1.183)	3.551
2021/22	(3.668)	(2.933)	0.734
2022/23	(4.126)	(3.666)	0.460
2023/24	(4.776)		

- 5.10 The adverse variance of £0.460m in Off-Street Car Parking is occurring despite a large increase in income compared to 2021/22. The income budget for this area was increased in 2022/23 towards pre-covid levels and whilst there has been increased income compared to last year, the level of income has not yet returned to the pre-covid levels. Additionally, the ongoing cost of living crisis with high fuel costs has led to less visits to town centre and renting spaces to Royal Berkshire Hospital at Queens Road has not delivered the income anticipated due to the Hospital trialling other arrangements.
- 5.11 There is also a current forecast shortfall in income relating to Residents Parking Permits of £0.132m, however this is being closely monitored and it is hoped that this position will recover. Strategic Transportation is also forecasting further income pressures of £0.070m, which are partially offset by positive variances across expenditure budgets of £0.015m.
- 5.12 There is an additional pressure forecast of £0.075m for repairs required at Broad Street Mall caused by the recent heavy rain.
- 5.13 These pressures are partially offset by income overachievements on Bus Lane Enforcement of £0.115m and On Street Pay & Display Car Parking of £0.214m.

#### **Planning and Regulatory Services - £0.579m adverse variance**

- 5.14 There is a forecast income shortfall of £0.634m across the service. These income shortfalls are primarily arising from the ongoing Covid recovery as well as non-fee earning work on the Homes for Ukraine scheme which diverts officer time away from fee earning activities.
- 5.15 The Building Control shortfall of £0.250m directly relates to the lack of staffing and a lack of availability of suitable agency staff to undertake the fee earning work.
- 5.16 Premises license fees are forecasting an income shortfall of £0.100m. within this, the largest element relates to a £0.066m shortfall in respect of Reading Festival which is entirely based on Festival Republic's need for a license variation which has not materialised in 2022/23, the need in future years is under discussion.
- 5.17 Planning applications and planning fees shortfall of £0.087m are market driven so it is difficult to control the level of fees particularly as the level of fee is statutorily set. Following on from the Covid recovery the supply chain issues around costs and availability of construction materials, plus skills shortages in the construction and design industry, is holding up the planning application process. Therefore, the ongoing uncertainty following on from the Covid pandemic and the ongoing Inflation and risk of recession is having a direct impact on fee generation that is likely to be an ongoing issue.
- 5.18 Houses of Multiple Occupancy is forecasting an income shortfall of £0.197m. There is a requirement to inspect homes under the Homes for Ukraine scheme, so this decision to undertake this work has a direct impact on the ability to generate income in this area. The Council receives income under the Homes for Ukraine scheme, and it is being

investigated as to whether this could be applied to cover the staffing costs of inspecting the properties.

- 5.19 There are also forecast pressures relating to ongoing public enquiries arising within Planning, forecast at £0.150m for 2022/23. There are some residual costs from a previous prosecution with sentencing of the Plaintiff due to be heard in October 2022. One public enquiry has been withdrawn with one further public enquiry to be heard by April 2023 with spend likely to be incurred until Summer 2023.
- 5.20 These pressures are partially mitigated by a staffing underspend due to vacancies arising within the service and lack of suitable Agency staff of £0.163m and miscellaneous Fees & Charges overachievement of £0.042m.

#### **Housing and Communities - balanced budget**

- 5.21 An area of ongoing concern is the potential impact of the cost-of-living crisis affecting the Homelessness budgets. Private sector evictions have been steadily rising following on from the Covid restrictions being released, with additional cost of living pressures placed on the sector. High Inflation pressures are being seen in the cost of Bed and Breakfast and short-term accommodation as well as a reduction in available properties to use. As this area is a demand led service, it is under close monitoring as the winter approaches as there is concern that the ability to prevent homelessness is further reduced. It is anticipated that emergency accommodation budgets are manageable with existing numbers, which have been stable for 6 months, however an increase in placements would result in budget pressure.

#### **Culture - £0.127m adverse variance**

- 5.22 Culture is forecasting an overall net pressure of £0.127m at Quarter 2. This is mainly due to a projected under recovery of income in the Hexagon and Concert Hall due to slower ticket sales driven by the cost-of-living crisis. There are also pressures relating to contract inflation and the lower take up of services in the Reading Play Services being offset by underspends in the Archives service.
- 5.23 The forecast variance is comprised of the following elements:
- £0.074m under recovery of income at the Hexagon. Despite strong sales, programming and bar sales, the service is expected to break-even but not make the budgeted surplus;
  - £0.050m under recovery of income in respect of Concert Hall Events. Due to the limited programme, the service is expected to break-even, however will not generate the budgeted surplus;
  - £0.035m pressures due to higher than anticipated contractual inflation within the GLL Leisure contract as this contract is based on CPI inflation as at March 2022;
  - £0.063m of pressures in Leisure Services. This partially relates to the Reading Activepark Project where there are staffing pressures of £0.006m in order to operate the centre 7 days a week. In addition, there are income pressures due to a big client leaving the site for new facilities in West Berkshire resulting in a loss of income of £0.012m. There are also pressures in the Reading Play Services due to income delays, due to works at Palmer Park taking longer than expected of £0.124m however this is offset by a positive variance on pay and non-pay expenditure of £0.104m. Furthermore, there is a £0.035m pressure in the Parks

service due to Paddling pool additional operating costs, which are partially offset by £0.010m overachievement of income.

- £0.015m positive variance due to salaries savings in Libraries and the Town Hall due to delays in recruitment;
- £0.080m positive variance for 2022/2023 on Reading's contribution to the joint arrangement for the Archives service.

#### **Property & Asset Management forecast - balanced budget**

- 5.24 Property & Asset Management is forecast to be on budget.
- 5.25 Within the Investment Properties rental income there is a known pressure arising from the granting of a rent free period for Adelphi House in order to secure a new long term lease. This shortfall of income of £0.342m in 2022/23 was agreed to be taken from Earmarked reserves set up to mitigate loss of income on Investment Properties, so the overall variance within Property & Asset Management is zero.

#### **Environmental and Commercial Services - £0.180m adverse variance**

- 5.26 Streetscene is forecasting an overall net pressure of £0.050m. There is a forecast shortfall in income of £0.500m due to staffing shortages in the Arboricultural Team resulting in commercial work not being possible. There are also reductions in income from reduced grounds maintenance/commercial opportunities on industrial sites and New Build Housing developments, as the market continues to recover slowly to post covid levels. Vacancy levels are expected to create a £0.450m positive variance within this area, which will partially offset the shortfall of income.
- 5.27 Recycling and Waste Collection is presently forecasting pressures of £0.600m due to the staffing establishment not being built to cover the employee costs of the required service, particularly for covering sickness and annual leave. Therefore, the service is continuing to employ over-establishment to ensure full-service delivery. Current sickness and absence levels remain higher than normal, so agency staff and overtime spend also remains high. These pressures combined are now expected to continue throughout the year and the future implications will be considered as part of the 2023/24 budget setting process.
- 5.28 Fuel costs are currently around a third higher than a year ago and this will create a £0.100m adverse variance for Fleet Management. Additional electric refuse freighters will be introduced soon, and this hopefully help to keep the overspend at this level. The increased cost of fuel will be considered as part of the 2023/24 budget setting process.
- 5.29 Highways and Drainage is forecasting an adverse variance of £0.100m, due to the inflationary pressures leading to increased cost of direct materials, paying for waste disposal arising from our work programme and paying increased subcontractor rates. This is partly offset due to a number of vacancies within the team.
- 5.30 Network Management is forecasting an adverse variance of £0.150m primarily due to a reduction in the income from the Pan Berkshire Urban Traffic Control joint arrangement which arose due to National Highways having pulled out of the scheme. There is a mitigation plan in place for 2023/24 onwards to offset this loss of income. This will be partly offset by vacancies in the team creating a £0.020m positive variance on staffing costs.
- 5.31 Waste Disposal is forecasting an £0.800m positive variance arising from reduced waste disposal costs. As a result of reviewing the full year projections for waste disposal, residual waste per household is now expected to be 7% less than forecast. In addition,

reductions in costs have been negotiated, reduced insurance premiums are being sought and re3 recycling income have been higher than predicted.

#### **Management & Sustainability - £0.110m adverse variance**

- 5.32 The Business Development service is forecasting a pressure of £0.110m on advertising income schemes. There have been delays in the planning agreements for some advertising sites, as well as contractual and developer delays linked to reduced demand for use of advertising screens as an ongoing impact of the Covid-19 pandemic. This pressure is likely to continue into 2023/24 and will be considered as part of the 2023/24 budget setting process. This service has recently transferred from Environmental and Commercial Services and was previously included as a pressure within that overall service forecast.

#### **Resources - £0.125m adverse variance**

- 5.33 The Directorate of Resources is forecasting an adverse net variance of £0.125m at Quarter 2 which is an adverse movement of £0.095m since Quarter 1.

#### **Corporate Improvement & Customer Services - £0.160m positive variance**

- 5.34 This forecast variance primarily relates £0.129m of current vacancies within the Policy Team, plus a forecast overachievement of income in Bereavement Services of £0.080m offset by a total of £0.049m of minor adverse variances across the service.

#### **HR & Organisational Development - £0.030m adverse variance**

- 5.35 This solely relates to pressures within Human Resources & Organisational Development which is forecasting an adverse net variance of £0.030m at Quarter 2, relating to Kennet Day Nursery income.

#### **Procurement & Contracts - £0.125m adverse variance**

- 5.36 Procurement & Contracts is forecasting an adverse variance of £0.125m consisting of:
- £0.025m for the recruitment of the Assistant Director of Procurement plus the net cost of agency cover for both this post and the Corporate Contracts Manager;
  - £0.100m of unachievable procurement savings.

#### **Legal & Democratic Services - £0.130m adverse variance**

- 5.37 Elections are forecasting an overspend of £0.159m, due to the Council holding an “all out” local election in 2022/23. This resulted in the need for an increased number of count staff. Additional costs also arose following the Local Government Boundary review where the number of councillors increased from 46 to 48 and the number of polling stations increased from 69 to 75, as well as the Covid health and safety measures that were in place for the 2021/22 remaining in place for 2022/23.
- 5.38 The pressures arising within Elections are partially offset by minor positive net variances totalling £0.029m across the service.

#### **Chief Executive Services - £0.033m adverse variance**

- 5.39 Chief Executive Services is forecasting an adverse net variance of £0.033m at Quarter 2, which is a positive movement since Quarter 1 of £0.001m. This solely relates to underachievement of advertising income within Communications.

**Children's Services Delivered by Brighter Futures for Children (BFfC) - £0.730m adverse variance**

- 5.40 BFfC are currently forecasting net budget pressures totalling of £0.730m. This is an improvement of £1.031m from Quarter 1.
- 5.41 It is proposed that additional pressures totalling £0.707m arising from the 2022/23 pay award are funded by the Council and subsequently that the 2022/23 BFfC Contract Sum is increased by £0.707m. This pressure is therefore reported within Other Corporate Budgets.
- 5.42 There are total pressures of £2.338m consisting of:
- £0.800m pressure on transport related budgets due to rising inflation of £0.290m, increasing demand pressures totalling £0.390m and increased costs due to resource shortages of £0.120m;
  - £0.410m due to agency staff within Children's Social Care. This pressure has arisen due to the additional cost of employing agency workers who are all covering vacant posts;
  - £0.824m due to demand for Children's Social Care. This budget variance is the result of £0.352m inflation pressures and £0.472m of demand led pressures;
  - £0.304m pressure on Children's Home income generation.
- 5.43 These pressures are mainly offset by £0.815m of demand led budget pressure reductions over the remainder of the financial year, as reported by the finance team. Other offsetting positive variances include additional Unaccompanied Asylum Seeking Children Grant from Central Government of £0.410m, £0.303m of staffing vacancies; £0.050m of Home to School Transport mitigating actions and £0.030m of other net savings.
- 5.44 As at the end of Quarter 2, against a target of £1.175m, BFfC are reporting that £0.804m of savings have been delivered and are on track to deliver a further £0.371m by the end of the financial year. However; £0.281m of savings forecast as on track to be delivered are being reviewed by BFfC to determine if these are savings or incidents of cost avoidance.

**Corporate Budgets - £4.776m positive variance**

- 5.45 Corporate Budgets are reporting a net positive variance of £4.776m, a positive movement of £0.160m from Quarter 1.
- 5.46 Capital Financing Costs are forecasting a positive net variance £1.908m taking into account the impact of the slippage on the Capital Programme reported in the 2021/22 Outturn Report and the 2022/23 Capital Programme forecast as at Quarter 2.
- 5.47 The Corporate Contingency budget of £3.627m is currently not forecast to be used and therefore contributes a further positive variance.
- 5.48 Other Corporate Budgets are forecasting an adverse net variance of £0.759m.
- 5.49 This variance includes a pressure of £1.140m relating to the 2022/23 pay award that was agreed in November 2022. A pay award of 2% was assumed as part of 2022/23 budget setting with additional contingency retained corporately to fund a pay award up

to 4%. The £1.140m pressure is the total pressure net of the budgeted 2% increase and the contingency. This pressure on pay inflation is partially offset by positive net variances of £0.381m within Other Corporate Budgets.

## 6 SAVINGS DELIVERY

6.1 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 2022. Detailed monitoring of agreed savings is tracked on a monthly basis.

6.2 The projected financial impact of any non-delivery of savings have been included in the projected outturn position reported above.

6.3 The following table summarises the current forecast savings delivery for 2022/23 (a further detailed breakdown by saving is provided in Appendix 1):

**Table 4. General Fund Savings Tracker Summary**

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	0	521	203	1,011	1,735
Economic Growth and Neighbourhood Services	1,984	587	3,888	120	6,579
Resources	100	0	558	0	658
Corporate	0	77	0	0	77
Children's Services delivered by BfFC	0	0	371	804	1,175
<b>Total</b>	<b>2,084</b>	<b>1,185</b>	<b>5,020</b>	<b>1,935</b>	<b>10,224</b>
<b>Increase/(Decrease) from Quarter 1</b>	<b>23</b>	<b>7</b>	<b>(395)</b>	<b>365</b>	<b>0</b>

6.4 Any savings not delivered in 2022/23 will cause an immediate pressure on 2023/24 unless mitigated with alternative ongoing savings. Delivery of existing savings within the Medium-Term Financial Strategy will also be reviewed as part of the 2023/24 Budget setting and 2023/24-2025/26 Medium-Term Financial Strategy processes over the upcoming months.

## 7 DELIVERY FUND

7.1 There is a total £4.065m Delivery Fund available for 2022/23 (inclusive of 2021/22 approved carry forwards). At Quarter 2, £2.914m of this funding has been allocated out to approved schemes, leaving £1.151m available to be allocated. At Quarter 2, the forecast spend is £2.864m, which results in an overall forecast positive variance of £0.050m.

## 8 SUNDRY DEBT

8.1 Total General Fund sundry debt as at the end of Quarter 2 is £9.009m, compared to £9.075m at the end of Quarter 1. The following table shows the overdue debt as at the end of Quarter 2:

**Table 5. Overdue Debt**

	Under 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total Overdue Debt
	£000	£000	£000	£000	£000	£000	£000	£000
Adult Care & Health Services	211	403	255	471	779	1,238	2,506	5,863
Economic Growth & Neighbourhood Services	233	257	245	225	167	225	654	2,006
Resources	57	25	6	37	8	13	128	274
Chief Executive	12	-	-	-	1	-	-	13
Former Children's Services	-	54	477	-	-	190	29	750
Corporate	-	-	-	-	-	-	103	103
<b>Total General Fund</b>	<b>513</b>	<b>739</b>	<b>983</b>	<b>733</b>	<b>955</b>	<b>1,666</b>	<b>3,420</b>	<b>9,009</b>
Housing Revenue Account	1	-	1	5	2	6	15	30
Intercompany Debt	323	-	-	-	-	-	1,435	1,758
<b>Total Including HRA and Intercompany</b>	<b>837</b>	<b>739</b>	<b>984</b>	<b>738</b>	<b>957</b>	<b>1,672</b>	<b>4,870</b>	<b>10,797</b>

8.2 The Council has several wholly-owned active subsidiaries. The outstanding intercompany debt related to these subsidiaries, including loans, is shown in the following table:

**Table 6. Outstanding Intercompany Debtors**

Debtor	Outstanding Debt £
Reading Transport Ltd	-
Homes for Reading Ltd	1,435,264
Brighter Futures for Children	322,714
<b>Total Outstanding Debt from Intercompany Debtors</b>	<b>1,757,978</b>

8.3 The outstanding debt relating to Homes for Reading Ltd (HfR) is due to the company's cashflow pressures. A repayment profile had been proposed and the first payment was made in 2021/2022. Formal ratification of the repayment schedule is being taken to the next Homes for Reading board meeting in December 2022.

## 9 STAFFING

9.1 The Council currently has 102 agency contracts across the directorates. £0.186m has been spent on overtime during Quarter 2, bringing to total for the year to £0.337m

- 9.2 There have been nine redundancies to date during 2022/23 at a total cost of £0.113m, there have also been additional severance costs to date of £0.212m. Redundancy expenditure will be funded through the redundancy revenue reserve.

## 10 COLLECTION FUND

- 10.1 The following table shows the Council's collection rate to date of the total annual debit for Council Tax and Non-Domestic (Business) Rates as at the end of Quarter 2.
- 10.2 Council Tax and Non-Domestic collection rates are still behind the collection levels at the same point when compared to pre-Covid-19 pandemic rates (2019/20) but are both ahead when compared with 2021/22. This position will continue to be closely monitored as we head into the Winter months where the impacts of the cost of living crisis are likely to be most prevalent.

**Table 7. Collection Fund Collection Rates**

	2019/20	2020/21	2021/22	2022/23	Comparison to 2021/22	Comparison to 2019/20
	%	%	%	%	%	%
Council Tax	55.62	54.90	54.69	55.22	0.53	(0.40)
Non-Domestic Rates	53.20	47.63	45.90	52.79	6.88	(0.41)

## 11 HOUSING REVENUE ACCOUNT (HRA)

- 11.1 The approved Housing Revenue Account (HRA) budget assumed a drawdown from HRA reserves of £2.154m. At Quarter 2 the forecast revenue outturn position on the HRA is a positive net variance to budget of £2.662m. Therefore, a transfer to the HRA Reserve is forecast of £0.508m rather than the originally budgeted £2.083m draw down from reserves, which will help to offset the known inflation pressures particularly in the Repairs and Maintenance area which are likely to hit further in 2023/2024, as well as being able to support the building of new Houses and the move towards Carbon net zero. The breakdown of the net variance is set out in the following table and explained below.

**Table 8. Housing Revenue Account Forecast 2022/23**

	Budget £m	Forecast Outturn £m	Variance £m
Management & Supervision	9.790	8.257	(1.533)
Special Services	3.575	3.156	(0.419)
Provision for Bad Debts	0.753	0.753	0.000
Responsive Repairs	2.700	2.700	0.000
Planned Maintenance	4.666	4.666	0.000
Major Repairs/Depreciation	10.082	10.082	0.000
Debt Costs	6.741	6.037	(0.704)
PFI Costs	7.197	7.197	0.000
Revenue Contribution to Capital	0.600	0.600	0.000
HRA Income	(43.950)	(43.956)	(0.006)
<b>Over/(Under) Budget</b>	<b>2.154</b>	<b>(0.508)</b>	<b>(2.662)</b>
Movement to/(from) HRA Reserve	(2.154)	508	2.662

- 11.2 Within Management and Supervision, there are a large number of vacant posts leading to a current projected variance on salary budgets of £0.499m. Additionally, the expected charge to the HRA for the central support costs is currently expected to be around £1.060m less than the maximum budget for these charges available within the

HRA. A review of the HRA contribution towards General Fund capital schemes will be factored into the updated HRA Business Plan and future year budgets. There are other adverse net variances totalling £0.026m.

- 11.3 Within Special Services, there are also a number of vacant posts leading to a current projected variance on salary budgets of £0.101m. Furthermore, there is an additional positive variance of £0.318m in respect of sheltered housing rents and Right-to-buy housing association charges.
- 11.4 Recruitment attempts to fill the aforementioned vacancies are ongoing with some recent success in some roles following a series of unsuccessful rounds of recruitment.
- 11.5 Debt costs are lower than budgeted by £0.704m due to less borrowing currently being required within the HRA to meet its capital expenditure as planned expenditure has been re-programmed into future years.
- 11.6 HRA Income is forecasting an overall positive variance of £0.006m. Dwelling rents and Service Charges are currently projected to be underachieving on the budget by a total of £0.089m (0.2% less than budget). In addition, there is a £0.044m underachievement forecast on Other Income. These are due to a delay in the completion of HRA capital schemes resulting in less housing available to be rented. Interest income is forecast to overachieve by £0.139m as the HRA has a higher level of reserve balances than anticipated so it takes a higher share of the interest income on those balances. The recent increases in the Bank of England interest rate have helped push the income up slightly too, and in the future partially offset increases in debt costs.
- 11.7 The collection rate of income within the HRA of income actually collected versus expected income is 99.3%, when incorporating collection of debt in Arrears from current and former tenants this figure becomes 96.0%. One item of concern under review is voids turnarounds, due to factors including staffing, the availability of contractors and pressures on materials the time taken to return void properties into circulation is growing, this has an indirect impact on the income collected and the collection rates.

## 12 CAPITAL PROGRAMME

### General Fund

- 12.1 The General Fund Capital Programme for 2022/23 has an approved budget of £115.980m. The following amendments are requested to be formally approved which would result in a revised Capital Programme budget of £80.027m. These amendments are set out on an individual scheme basis in Appendix 2.

**Table 9. General Fund Capital Programme Amendments**

Revised Budget Quarter	Budget Movements Between Schemes	Additional Budgets added to the Programme -	Additional Budgets requested to be	Reduced Budgets - Completed Schemes &	Budgets reprogrammed (to)/from Future Years	Proposed Revised Budget Quarter
------------------------	----------------------------------	---	------------------------------------	---------------------------------------	---	---------------------------------

1 2022/23		Funded by Grants & Contributions	added to the Programme - Funded by Capital Receipts & Borrowing	Other carry forward budget adjustments		2 2022/23
£m	£m	£m	£m	£m	£m	£m
115.980	0	19.876	0	(392)	(55.437)	80.027

12.2 A small number of budget movements between existing capital schemes is set out in Appendix 2. This includes funding a proposed new scheme, Purchase of Mortuary Equipment, of £0.012m that is funded from the Additional Storage Capacity at Mortuary Scheme which can no longer proceed as originally intended due to the Home Office changing the Emergency Mortuary Arrangement model. The original budget of this scheme was £0.015m; therefore the surplus £0.003m budget can be removed from the capital programme.

12.3 A total of £19.876m of additional budgets that are fully funded by grants and contributions are requested to be formally added into the Capital Programme. These additions include:

- £1.000m for Construction of Green Park Station reflecting additional Integrated Transport Block grant to fund the expected additional expenditure to complete the scheme at Green Park Station;
- £1.500m for Active Travel Tranche 3, a new grant funded capital scheme, to support the implementation of high-quality walking and cycling facilities in the Borough with the majority of the scheme expected to be delivered during 2023/24;
- £15.939m for the Bus Service Improvement Plan, a further new grant funded scheme to improve bus infrastructure in the Borough. The majority of the expenditure is expected to be incurred through 2023/24 and 2024/25 with formal confirmation of the grant funding expected soon;
- £1.086m for additional schemes to be funded from Section S106 and Community Infrastructure Levy contributions;
- £0.351m for the SEN High Needs provision capital allocations scheme where the majority of expenditure is expected to be incurred in 2023/24.

12.4 A total of £0.392m of budget reductions are requested to be formally approved as set out in Appendix 2 due to a number of schemes having finished and remaining funding brought forward into 2022/23 not being required.

12.5 A total of £55.437m of budgets are requested to be reprogrammed from 2022/23 into future years of the Capital Programme in line with the latest delivery forecasts. This includes:

- £0.885m for Active Travel Tranche 2 to reflect the revised expenditure projections for the current year;
- £16.739 for the new Active Travel Tranche 3 and Bus Service Improvement Plan schemes where the majority of expenditure is expected to be incurred in later years;

- £1.089m for Local Transport Plan Development to reflect the revised expenditure projections for the current year;
- £3.620m for Reading West Station is expected to have a significant spend in 2023/24 as elements of the scheme related to the Great Western Railways elements have slipped back due to Covid and Planning delays;
- £1.000m for South reading MRT (Phases 5 & 6) external funding to deliver this has not been secured so start date of this scheme pushed back into 2023/24;
- £5.053 for Leisure Centre Procurement with diving pool works pushed back to later in 2022/23 due to a delay on the award of a water extraction licence;
- £1.534m For Reading Football Club Social Inclusion Unit to South Reading Leisure Centre (SRLC). This scheme is now expected to begin in 2023/24 once the s106 funding becomes due and has been received;
- £0.653m for High Street Heritage Action Zone where anticipated spend is expected to only be the Historic England funding of £300k, future spend on the remaining budget is due to commence in 2023/24;
- £1.622m for Replacement Vehicles. The programme has been re-profiled to reflect only the expected delivery of 5 new Electric Refuse vehicles in the current year;
- £0.702m for Playground equipment and Refreshment: Boroughwide to reflect the revised expenditure projections for the current year;
- £2.550m for the Minster Quarter schemes which has been reprofiled to reflect the funding required in 2022/2023 to develop the scheme towards the awarding of a preferred development partner for the scheme. The bulk of expenditure on the Brownfield land site and developing the scheme further are expected to be incurred during 2023/2024;
- £3.354m across Property & Asset management schemes including Corporate Office essential works and the Accommodation review schemes. An Asset review is underway which will further identify the key projects required on the asset estate during 2023/2024;
- £3.200m for the Carriageways & Pavements and Highways structures programme to reflect the spend profile of the planned works;
- £2.334m for the SEN High Needs provision capital allocations scheme to reflect the revised expenditure projections for the current year;
- £5.435m for the Dee Park Regeneration - Housing Infrastructure Fund (school) scheme which reflects the confirmed draw down of Housing Infrastructure funding towards the development of this scheme in 2022/2023, with the remainder reprofiled into 2023/2024 to match the expected profile of spend;
- £5.667m across other schemes.

12.6 There is a total £4.065m Delivery Fund available for 2022/23 (inclusive of 2021/22 approved carry forwards). At Quarter 2, £2.914m of this funding has been allocated out to approved schemes, leaving £1.151m available to be allocated. At Quarter 2, the forecast spend is £2.864m, which results in an overall forecast variance of £1.201m.

- 12.7 All other general fund schemes are forecasting to spend to the proposed revised budgets.
- 12.8 It is requested the following capital schemes are given spend approval as they will be funded from Community Infrastructure Levy contributions:

**Table 10. Capital Programme Spend Approval Requests**

Scheme	Budget £m
John Rabson skatepark	0.255
Pedestrian Defined Urban Pocket Gardens	0.075
Pedestrian dropped kerb facilities with tactile pavers	0.240
Pedestrian handrails	0.240
Railway footbridge lighting in West Reading	0.070
<b>Total</b>	<b>0.880</b>

- 12.9 Spend approval is also requested for the proposed Purchase of Mortuary Equipment scheme totalling £0.012m (as detailed in paragraph 11.2) and for the Mobile Working and Smart Device scheme under delegated officer authority totalling £0.150m.

#### Housing Revenue Account (HRA)

- 12.10 The HRA Capital Programme for 2022/23 has an approved budget of £30.502m. The following amendments to the Capital Programme are requested to be formally approved which would result in a revised Capital Programme budget of £27.888m. These amendments are set out on an individual scheme basis in Appendix 2.

**Table 11. Housing Revenue Account (HRA) Capital Programme Amendments**

Approved Budget	Budget Movements Between Schemes	Additional Budgets added to the Programme - Funded by Grants & Contributions	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing	Reduced Budgets - Completed Schemes & Other carry forward budget adjustments	Budgets reprogrammed (to)/from Future Years	Revised Budget Quarter 2 2022/23
£m	£m	£m	£m	£m	£m	£m
30.502	0.000	0.000	0.000	0.000	(2.674)	27.888

- 12.11 A total of £2.674m of budgets are requested to be reprogrammed to/from future years of the HRA Capital Programme in line with the latest delivery forecasts. This includes:
- £2.887m to be reprogrammed into 2023/24 for New Build & Acquisitions to reflect the updated planned programme of works;
  - £0.213m to be brought forward from 2023/24 into 2022/23 for Major Repairs and Disabled Facilities Grants schemes.
- 12.12 The Housing Management System scheme is forecasting an adverse variance of £0.060m. A business case for additional funding in 2023/2024 to cover Phase 2 of the project next year also covers the small overspend this year.

## 13 CORPORATE PLAN PERFORMANCE

- 13.1 A new three-year Corporate Plan for 2022/23-2024/25 was published in March 2022, and a revised set of 58 performance measures were developed for monitoring from April 2022, along with a set of 52 key projects and initiatives which are helping to deliver the Council's mission and priorities. 31 of the performance measures are annual measures that will not be reported on until after March 2023.
- 13.2 These measures and projects were 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.
- 13.3 The performance measures and projects are set against each of themes of the Corporate Plan for 2022/23-2024/25:
- Healthy environment
  - Thriving communities
  - Inclusive economy
- 13.4 The Council is now using a new system for performance management reporting, following the expiry of our InPhase licence. Going forward we will be using Sharepoint for data entry and PowerBI for viewing and reporting performance. This system should provide a more user-friendly experience.

### Corporate Plan Measures

- 13.5 The tables and charts below display an overview of the shifts in performance for the Corporate Plan measures between Quarter 1 and Quarter 2, as well as performance against the target (red/amber/green).

**Table 12. Summary of direction of travel**

	Number of Measures	Q2 %
Getting better	14	50.0
Getting worse	13	46.4
Unchanged	1	3.6
<b>Total</b>	<b>28</b>	<b>100</b>

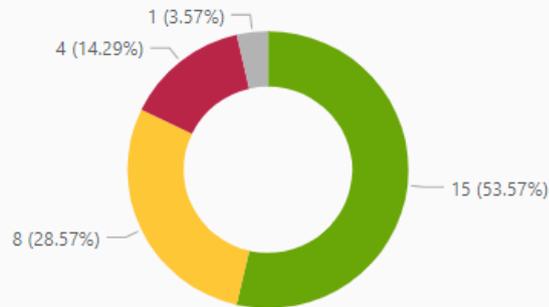
**Table 13. Summary of performance against target<sup>1</sup>**

	Number of measures	Q1 %	Q2 %
Green	15	48	54
Amber	8	15	29
Red	4	18	14
N/A - No Target/Comparison	1	19	3
<b>Total</b>	<b>28</b>	<b>100</b>	<b>100</b>

<sup>1</sup> Green = target achieved; Amber = up to 10% below target; Red = more than 10% below target

## Corporate Plan KPI's

### Performance against target (Status)



13.6 The four Corporate Plan measures recorded with a 'red' status against 2022/23 targets are listed below (explanatory commentary is included where appropriate in Appendix 3):

- Customer satisfaction in the Customer Fulfilment Centre
- Number of self- service transactions via My Account self- service
- Percentage of responses to the public on Freedom of Information Act requests made within 20 days
- Remediation of tall buildings with cladding

### Corporate Plan Projects

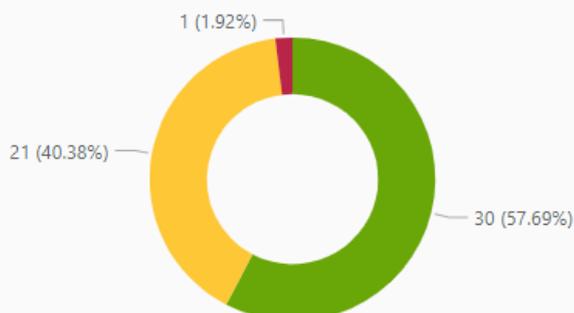
13.7 The RAG status for the Corporate Plan projects is shown below.

**Table 14. Summary of RAG Status**

	Number of projects	Q1 %	Q2 %
Green	30	58	58
Amber	21	40	40
Red	1	2	2
<b>Total</b>	<b>52</b>	<b>100</b>	<b>100</b>

## Corporate Plan Projects

### RAG (Status)



13.8 The only Corporate Plan project recorded with a 'red' status this quarter is 'Create a workforce that is fully representative of the population we serve'. Explanatory commentary is included in Appendix 4.

## **14 CONTRIBUTION TO STRATEGIC AIMS**

14.1 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.

14.2 Delivery of the Council's budget is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward.

14.3 Full details of the Council's [Corporate Plan](#) are available on the website.

## **15 ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

15.1 The Council declared a Climate Emergency at its meeting on 26<sup>th</sup> February 2019. The Corporate Plan monitors our progress in reducing our carbon footprint.

15.2 There are no specific environmental and climate implications to report in relation to the recommendations set out in this report.

## **16 COMMUNITY ENGAGEMENT AND INFORMATION**

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

## **17 EQUALITY IMPACT ASSESSMENT**

17.1 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.

## **18 LEGAL IMPLICATIONS**

18.1 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.

18.2 There are no legal requirements to have a Corporate Plan. Nevertheless, considering the size and complexity of the services we provide and have responsibility for, it is sensible to have a strategic document for the organisation which sets out key priorities and activities against a robust and sustainable financial strategy.

**19 FINANCIAL IMPLICATIONS**

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

**20 BACKGROUND PAPERS**

20.1 None.

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# MONTHLY FINANCIAL REPORT

## End of September 2022

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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
<b>Objective Analysis</b>						
Adults Care and Health Services	21,697	17,721	(3,976)	43,394	44,626	1,232
Economic Growth & Neighbourhood Services	9,274	14,058	4,784	18,548	19,937	1,389
Resources	8,859	15,913	7,054	17,719	17,844	125
Chief Executive Services	771	863	92	1,541	1,574	33
Children's Services retained by the Council	(186)	(4,877)	(4,691)	781	781	-
Children's Services delivered by BFFC *	24,126	24,569	443	48,251	48,981	730
<b>TOTAL SERVICE BUDGETS</b>	<b>64,540</b>	<b>68,246</b>	<b>3,706</b>	<b>130,234</b>	<b>133,743</b>	<b>3,509</b>
Capital Financing Costs	8,191	8,003	(188)	16,381	14,473	(1,908)
Contingency	1,814	-	(1,814)	3,627	-	(3,627)
Other Corporate Budgets	(126)	(119,879)	(119,753)	(252)	507	759
<b>TOTAL CORPORATE BUDGETS</b>	<b>9,878</b>	<b>(111,876)</b>	<b>(121,754)</b>	<b>19,756</b>	<b>14,980</b>	<b>(4,776)</b>
<b>TOTAL BUDGET</b>	<b>74,418</b>	<b>(43,630)</b>	<b>(118,048)</b>	<b>149,990</b>	<b>148,723</b>	<b>(1,267)</b>
<b>Funding:</b>						
Council Tax Income	(52,202)	-	52,202	(104,403)	(104,403)	-
NNDR Local Share	(13,255)	-	13,255	(26,510)	(26,510)	-
New Homes Bonus	(1,019)	(1,019)	-	(2,038)	(2,038)	-
Section 31 Grant	(6,290)	(12,374)	(6,084)	(12,580)	(12,580)	-
Revenue Support Grant	(1,054)	(190)	864	(2,108)	(2,108)	-
Other Government Grants	(1,202)	(1,180)	22	(2,404)	(2,404)	-
One-off Collection Fund (Surplus)/Deficit	9,991	-	(9,991)	19,981	19,981	-
Section 31 Grants Release from Reserves	(9,964)	-	9,964	(19,928)	(19,928)	-
<b>TOTAL FUNDING</b>	<b>(74,995)</b>	<b>(14,763)</b>	<b>60,232</b>	<b>(149,990)</b>	<b>(149,990)</b>	<b>-</b>
<b>NET CONTROLLABLE COST</b>	<b>(577)</b>	<b>(58,393)</b>	<b>(57,816)</b>	<b>0</b>	<b>(1,267)</b>	<b>(1,267)</b>
<b>Subjective Analysis</b>						
Employee Costs	67,131	60,098	(7,033)	134,512	133,060	(1,452)
Premises Costs	11,481	8,789	(2,692)	22,923	22,942	19
Transport-Related Costs	1,206	1,136	(70)	2,413	2,473	60
Supplies and Services	29,179	(30,276)	(59,455)	57,808	54,127	(3,681)
Contracted Costs	106,764	114,920	8,156	213,527	215,409	1,882
Transfer Payments	10,411	7,813	(2,599)	20,822	20,822	(0)
<b>CONTROLLABLE COST</b>	<b>226,172</b>	<b>162,480</b>	<b>(63,692)</b>	<b>452,005</b>	<b>448,833</b>	<b>(3,172)</b>
Fees & Charges	(52,459)	(13,391)	39,068	(106,466)	(105,882)	583
Traded Services Income	(23,448)	(96,933)	(73,485)	(43,882)	(42,559)	1,323
Grants & Contributions	(150,842)	(110,548)	40,293	(301,658)	(301,659)	(1)
<b>CONTROLLABLE INCOME</b>	<b>(226,748)</b>	<b>(220,872)</b>	<b>5,876</b>	<b>(452,005)</b>	<b>(450,100)</b>	<b>1,905</b>
<b>NET CONTROLLABLE COST</b>	<b>(577)</b>	<b>(58,392)</b>	<b>(57,816)</b>	<b>-</b>	<b>(1,267)</b>	<b>(1,267)</b>

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	1,041	(1,863)	(2,905)	2,083	2,083	0
Adult Services Operations	19,760	21,048	1,288	39,521	40,753	1,232
Public Health	(0)	(3,841)	(3,841)	(0)	-	0
Preventative Services	-	-	-	-	-	-
Directorate & Other	249	1,778	1,529	497	497	(0)
Safeguarding, Quality, Performance & Practice	647	583	(64)	1,293	1,293	-
Suspense	-	1	1	-	-	-
Inactive Codes	-	16	16	-	-	-
<b>NET TOTAL COST</b>	<b>21,697</b>	<b>17,721</b>	<b>(3,976)</b>	<b>43,394</b>	<b>44,626</b>	<b>1,232</b>

Subjective Analysis

Employee Costs	7,024	6,761	(263)	14,049	14,049	0
Premises Costs	137	118	(19)	275	275	0
Transport-Related Costs	31	36	5	62	62	0
Supplies and Services	3,861	2,476	(1,385)	7,723	7,723	0
Contracted Costs	24,594	23,507	(1,087)	49,188	50,420	1,232
Transfer Payments	567	85	(482)	1,133	1,133	(0)
<b>TOTAL EXPENDITURE</b>	<b>36,215</b>	<b>32,984</b>	<b>(3,230)</b>	<b>72,429</b>	<b>73,662</b>	<b>1,233</b>
Fees & Charges	(163)	-	163	(325)	(325)	-
Traded Services Income	(4,407)	(3,705)	702	(8,815)	(8,815)	(0)
Grants & Contributions	(9,948)	(11,558)	(1,610)	(19,896)	(19,896)	(0)
<b>TOTAL INCOME</b>	<b>(14,518)</b>	<b>(15,263)</b>	<b>(746)</b>	<b>(29,036)</b>	<b>(29,036)</b>	<b>(1)</b>
<b>NET TOTAL COST</b>	<b>21,697</b>	<b>17,721</b>	<b>(3,976)</b>	<b>43,394</b>	<b>44,626</b>	<b>1,232</b>

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<b>Objective Analysis</b>						
Transportation	(935)	(1,437)	(501)	(1,871)	(1,478)	393
Planning & Regulatory Services	1,242	1,691	449	2,484	3,063	579
Housing and Communities	949	1,739	790	1,898	1,898	0
Culture	1,893	1,891	(1)	3,785	3,912	127
Environmental and Commercial Services	7,933	10,281	2,348	15,865	16,045	180
Property and Asset Management	(2,060)	(662)	1,398	(4,120)	(4,120)	-
Management and Sustainability	253	548	295	507	617	110
Suspense	-	6	6	-	-	-
Inactive Codes	-	0	0	-	-	-
<b>NET TOTAL COST</b>	<b>9,274</b>	<b>14,058</b>	<b>4,784</b>	<b>18,548</b>	<b>19,937</b>	<b>1,389</b>

Subjective Analysis

Employee Costs	18,944	16,475	(2,469)	37,888	37,557	(331)
Premises Costs	8,641	7,297	(1,344)	17,281	17,281	(0)
Transport-Related Costs	1,151	1,074	(77)	2,301	2,301	(0)
Supplies and Services	12,974	12,755	(220)	25,949	25,814	(135)
Contracted Costs	5,032	5,107	75	10,064	9,984	(80)
Transfer Payments	(65)	(232)	(167)	(130)	(130)	(0)
<b>TOTAL EXPENDITURE</b>	<b>46,676</b>	<b>42,476</b>	<b>(4,201)</b>	<b>93,353</b>	<b>92,807</b>	<b>(546)</b>
Fees & Charges	(10,041)	(4,918)	5,123	(20,081)	(19,498)	583
Traded Services Income	(22,830)	(18,538)	4,291	(45,659)	(44,307)	1,352
Grants & Contributions	(4,532)	(4,962)	(430)	(9,065)	(9,065)	(0)
<b>TOTAL INCOME</b>	<b>(37,402)</b>	<b>(28,418)</b>	<b>8,985</b>	<b>(74,805)</b>	<b>(72,870)</b>	<b>1,935</b>
<b>NET TOTAL COST</b>	<b>9,274</b>	<b>14,058</b>	<b>4,784</b>	<b>18,548</b>	<b>19,937</b>	<b>1,389</b>

## 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	1,462	1,652	190	2,924	2,764	(160)
HR & Organisational Development	870	866	(4)	1,740	1,770	30
Procurement & Contracts	243	315	72	486	611	125
Finance	2,144	3,098	954	4,288	4,288	-
Legal & Democratic	1,256	6,450	5,195	2,511	2,641	130
IT & Digital	2,885	3,531	646	5,769	5,769	-
Suspense	-	0	0	-	-	-
Inactive codes	-	0	0	-	-	-
<b>NET TOTAL COST</b>	<b>8,859</b>	<b>15,913</b>	<b>7,054</b>	<b>17,719</b>	<b>17,844</b>	<b>125</b>

Subjective Analysis

Employee Costs	11,620	10,552	(1,068)	23,240	23,268	28
Premises Costs	193	112	(80)	385	404	19
Transport-Related Costs	16	17	1	31	91	60
Supplies and Services	3,787	5,847	2,060	7,574	7,654	80
Contracted Costs	2,709	2,067	(641)	5,418	5,418	-
Transfer Payments	625	1,020	395	1,249	1,249	-
<b>TOTAL EXPENDITURE</b>	<b>18,949</b>	<b>19,616</b>	<b>667</b>	<b>37,898</b>	<b>38,085</b>	<b>187</b>
Fees & Charges	(1,164)	14	1,177	(2,327)	(2,327)	-
Traded Services Income	(2,553)	(1,166)	1,387	(5,106)	(5,168)	(62)
Grants & Contributions	(6,373)	(2,551)	3,823	(12,746)	(12,746)	-
<b>TOTAL INCOME</b>	<b>(10,090)</b>	<b>(3,703)</b>	<b>6,387</b>	<b>(20,179)</b>	<b>(20,241)</b>	<b>(62)</b>
<b>NET TOTAL COST</b>	<b>8,859</b>	<b>15,913</b>	<b>7,054</b>	<b>17,719</b>	<b>17,844</b>	<b>125</b>

Chief Executive Services [CEX] - 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>						
Corporate Management Team	442	508	65	885	885	-
Communications	328	355	27	657	690	33
<b>NET TOTAL COST</b>	<b>771</b>	<b>863</b>	<b>92</b>	<b>1,541</b>	<b>1,574</b>	<b>33</b>

Subjective Analysis

Employee Costs	739	742	4	1,477	1,477	-
Premises Costs	-	-	-	-	-	-
Transport-Related Costs	9	9	0	18	18	-
Supplies and Services	64	144	79	129	129	-
Contracted Costs	-	-	-	-	-	-
Transfer Payments	4	7	4	7	7	-
<b>TOTAL EXPENDITURE</b>	<b>816</b>	<b>903</b>	<b>87</b>	<b>1,631</b>	<b>1,631</b>	<b>-</b>
Fees & Charges	-	-	-	-	-	-
Traded Services Income	(18)	(12)	5	(35)	(2)	33
Grants & Contributions	(27)	(28)	(0)	(55)	(55)	-
<b>TOTAL INCOME</b>	<b>(45)</b>	<b>(40)</b>	<b>5</b>	<b>(90)</b>	<b>(57)</b>	<b>33</b>
<b>NET TOTAL COST</b>	<b>771</b>	<b>863</b>	<b>92</b>	<b>1,541</b>	<b>1,574</b>	<b>33</b>

**Housing Revenue Account [HRA] - Period 6**

Revenue Forecast

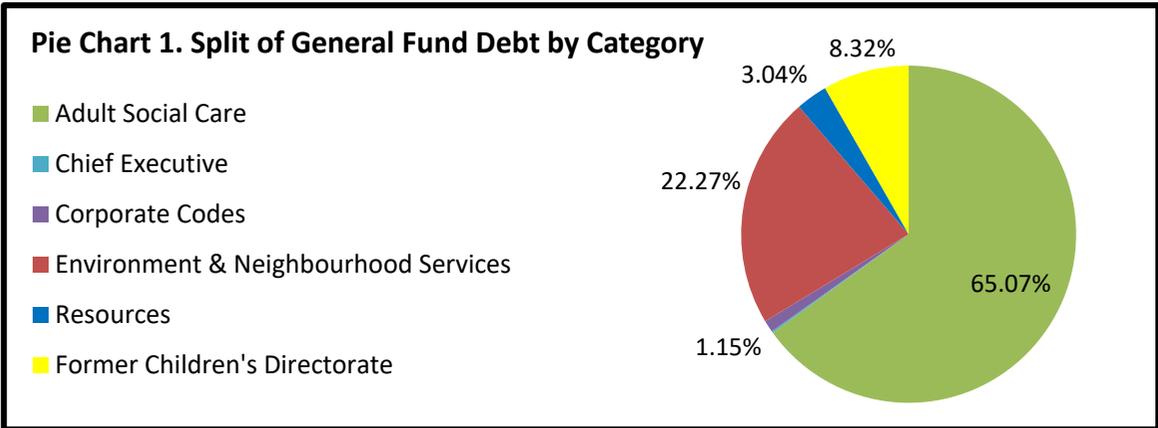
	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<b>Objective Analysis</b>						
Dwelling Rents	(18,932)	(18,592)	340	(37,863)	(37,852)	11
Service Charges	(483)	(428)	55	(965)	(887)	78
PFI Credit	(1,999)	(999)	1,000	(3,997)	(3,997)	-
Other Income	(155)	(85)	70	(309)	(265)	44
Interest on Balances	(408)	-	408	(816)	(955)	(139)
<b>TOTAL INCOME</b>	<b>(21,975)</b>	<b>(20,104)</b>	<b>1,871</b>	<b>(43,950)</b>	<b>(43,956)</b>	<b>(6)</b>
Management & Supervision	4,895	1,437	(3,458)	9,790	8,257	(1,533)
Special Services	1,788	834	(954)	3,575	3,156	(419)
Provision for Bad Debts	377	-	(377)	753	753	-
Responsive Repairs	1,350	993	(357)	2,700	2,700	-
Planned Maintenance	2,333	1,056	(1,277)	4,666	4,666	-
Major Repairs/Depreciation	5,041	3,183	(1,858)	10,082	10,082	-
Debt Costs	3,371	-	(3,371)	6,741	6,037	(704)
PFI Costs	3,599	3,067	(532)	7,197	7,197	-
Revenue Contribution to Capital	300	308	8	600	600	-
<b>TOTAL EXPENDITURE</b>	<b>23,052</b>	<b>10,878</b>	<b>(12,174)</b>	<b>46,104</b>	<b>43,448</b>	<b>(2,656)</b>
Movement to/(from) Reserve	(1,077)	-	1,077	(2,154)	508	2,662
<b>NET TOTAL COST</b>	<b>-</b>	<b>(9,226)</b>	<b>(9,226)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Subjective Analysis**

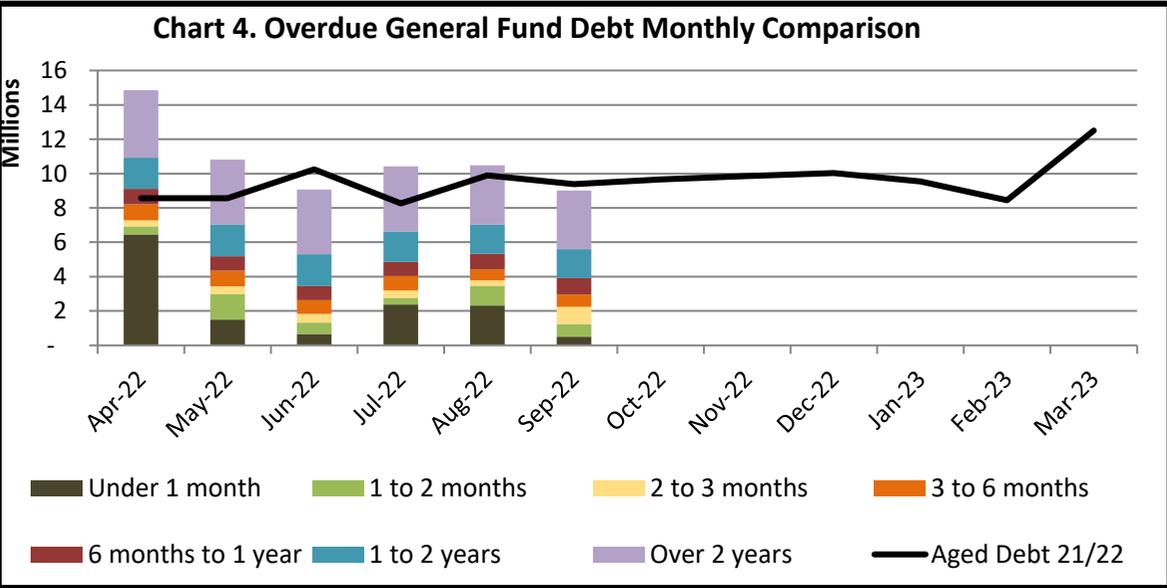
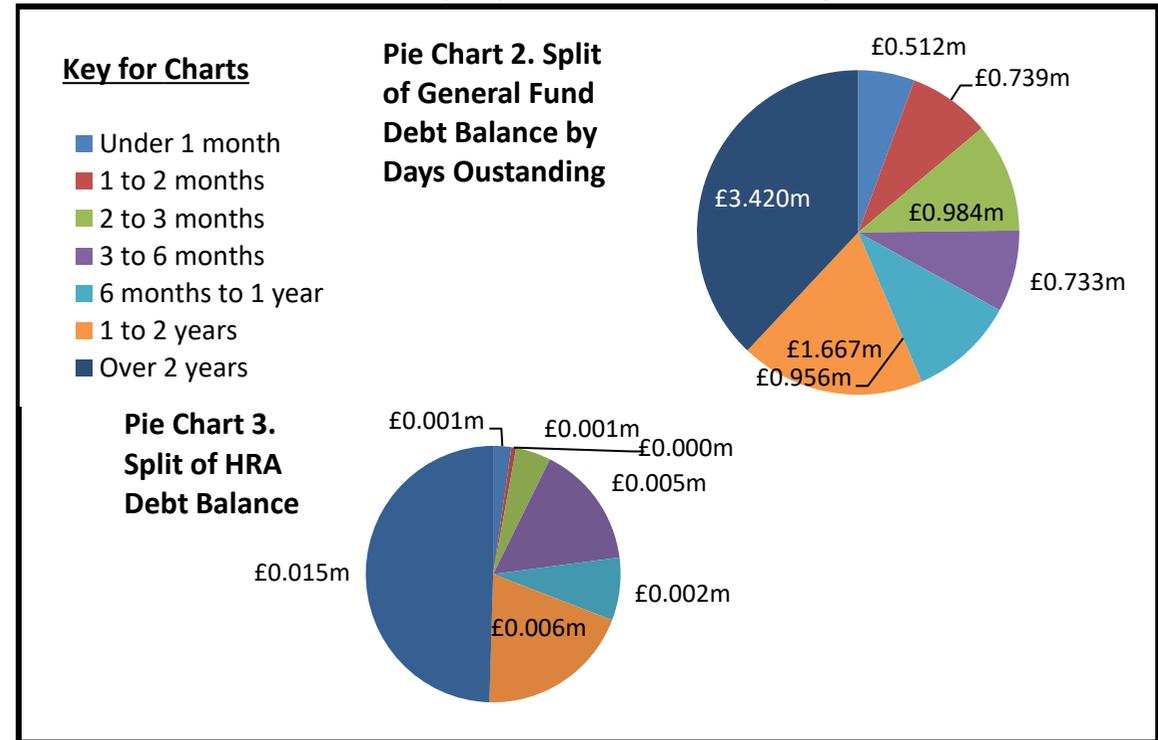
Employee Costs	2,495	1,866	(630)	4,991	4,391	(600)
Premises Costs	13,660	5,830	(7,830)	27,320	27,407	87
Transport-Related Costs	16	3	(13)	32	17	(15)
Supplies and Services	813	286	(527)	1,627	1,591	(36)
Contracted Costs	3,627	3,068	(559)	7,254	7,292	38
Transfer Payments	2,625	23	(2,602)	5,249	3,395	(1,854)
<b>TOTAL EXPENDITURE</b>	<b>23,237</b>	<b>11,076</b>	<b>(12,161)</b>	<b>46,473</b>	<b>44,093</b>	<b>(2,380)</b>
Fees & Charges	(1,262)	-	1,262	(2,523)	-	2,523
Traded Services Income	(19,977)	(19,262)	715	(39,953)	(40,053)	(100)
Grants & Contributions	(1,999)	(1,039)	959	(3,997)	(4,040)	(43)
<b>TOTAL INCOME</b>	<b>(23,237)</b>	<b>(20,301)</b>	<b>2,936</b>	<b>(46,473)</b>	<b>(44,093)</b>	<b>2,380</b>
<b>NET TOTAL COST</b>	<b>(1)</b>	<b>(9,226)</b>	<b>(9,225)</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Debt Performance - End of September 2022

The pie chart below shows the sundry debt as at the end of Period 6, totalling £9.009m.



Note: Adult Social Care includes Adult Client debt and invoices relating to NHS/CCG. As of Period 6, debt totalling £546k 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.



## Agency and Staffing - End of September

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

Number of agency workers by directorate

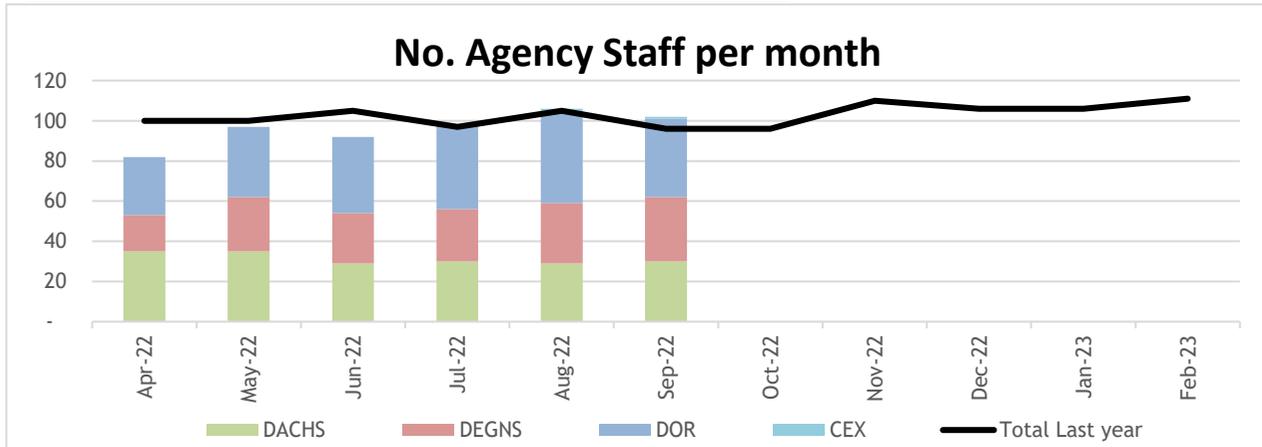
Directorate	Number of Agency Staff Period 6	Number of Agency Staff Period 5
DACHS	30	29
DEGNS	32	30
DOR	39	46
CEX	1	1
<b>Total</b>	<b>102</b>	<b>106</b>

Agency staff by post name (top 5)

Post name	No.
Social Worker	15
Refuse Loader/Driver	10
Occupational Therapist	9
Sweeper/Driver	8
Solicitors	6

Agency spend by directorate per quarter (£000s)

Directorate	2021-22 (£000s)				2022-23 (£000s)	
	Q1	Q2	Q3	Q4	Q1	Q2
DACHS	524	572	709	923	607	580
DEGNS	288	254	190	281	315	346
DOR	436	358	495	599	524	650
<b>Total</b>	<b>1,248</b>	<b>1,184</b>	<b>1,394</b>	<b>1,803</b>	<b>1,445</b>	<b>1,576</b>



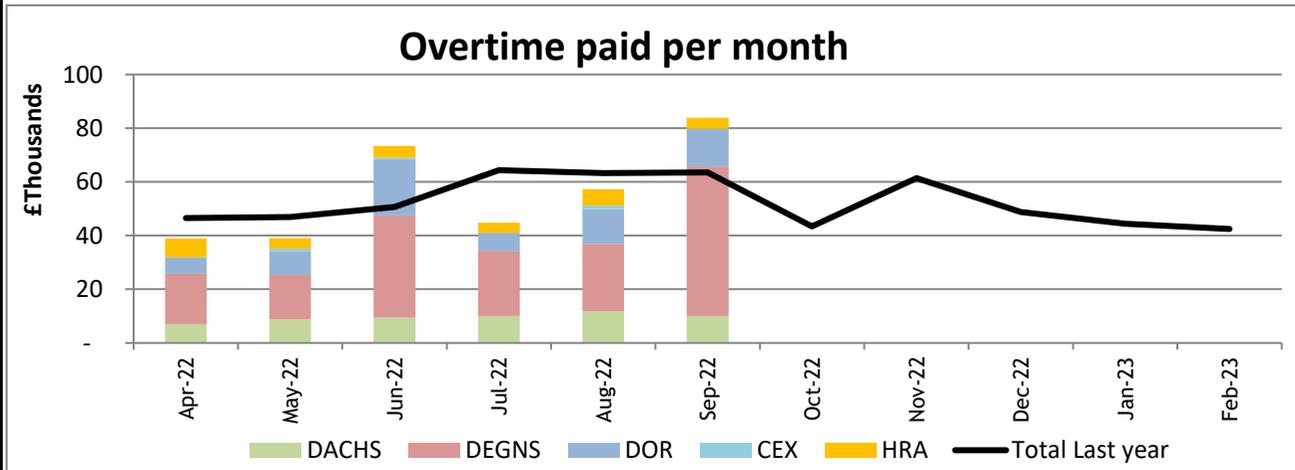
Redundancies & Severance Costs within 22-23

Directorate	September 2022 Only	Actual to Date 2022-23
DACHS	£ -	£ -
DEGNS	£ -	£ 258,444
DOR	£ 2,546	£ 59,147
CEX	£ -	£ 6,649
HRA	£ -	£ -
<b>Total</b>	<b>£ 2,546</b>	<b>£ 324,240</b>

Overtime paid by directorate 22-23

Directorate	September 2022 Only	Actual to Date 2022-23
DACHS	£ 10,097	£ 57,381
DEGNS	£ 55,625	£ 178,163
DOR	£ 13,991	£ 69,453
CEX	£ -	£ 2,910
HRA	£ 4,216	£ 29,293
<b>Total</b>	<b>£ 83,929</b>	<b>£ 337,200</b>

Redundancy expenditure will be funded from the redundancy revenue reserve. Currently 1 redundancy charge has been reflected in the Period 6 monitoring, bringing the total to 9 redundancies to date.

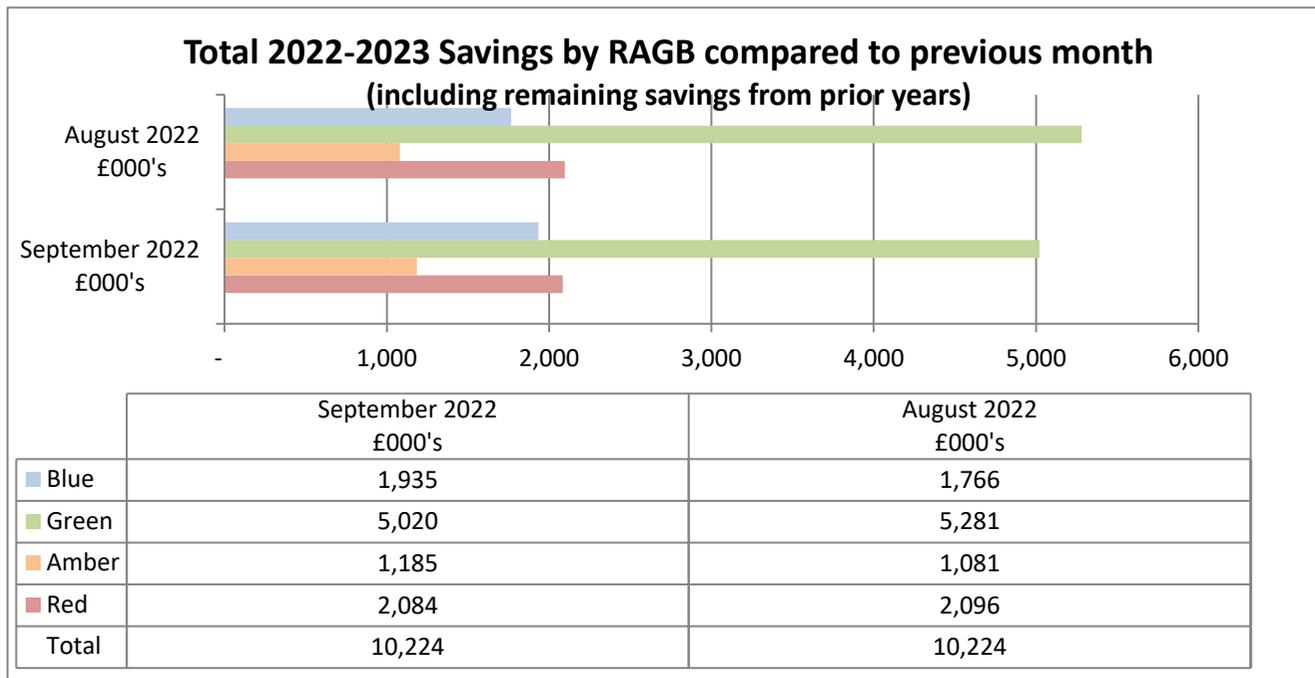


# Savings and Delivery Fund 2022-2023 - End of September 2022

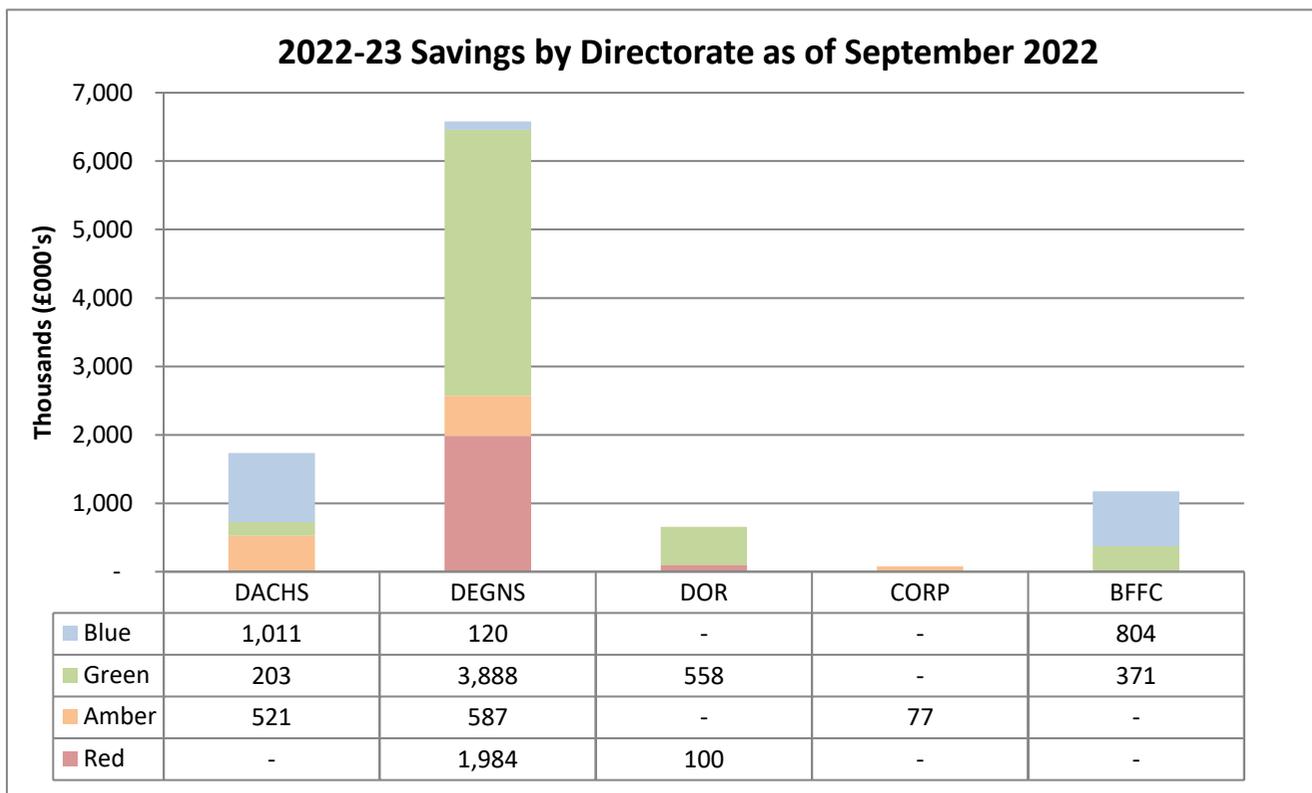
## Savings

	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

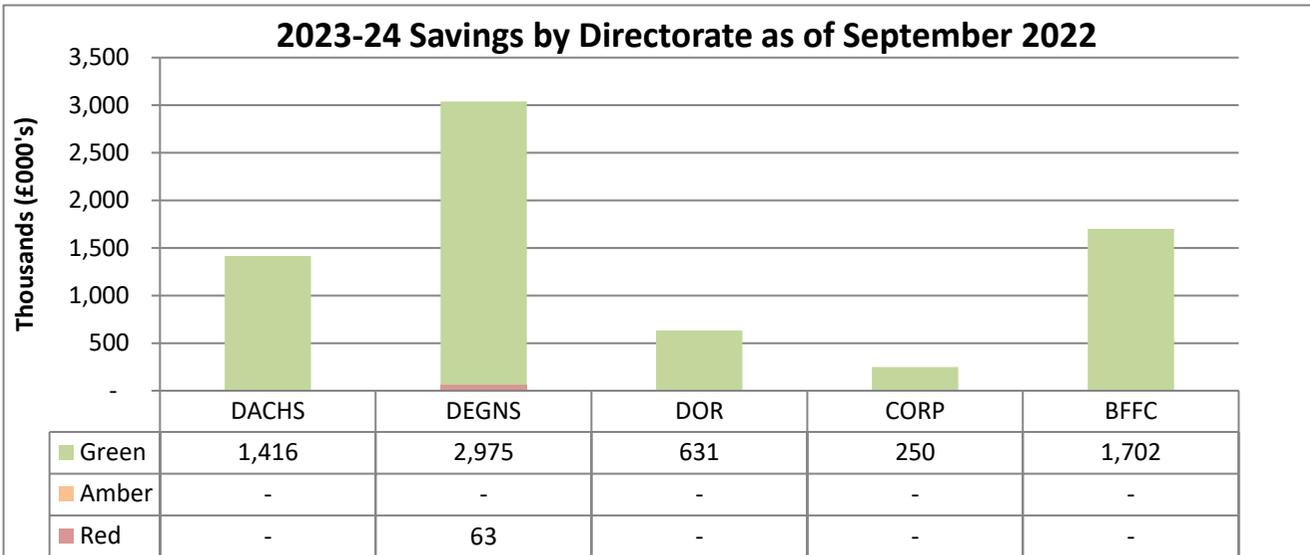
The below graphs shows the outstanding 2022-23 and prior year savings programme. This totals £10.2244m for the overall council.



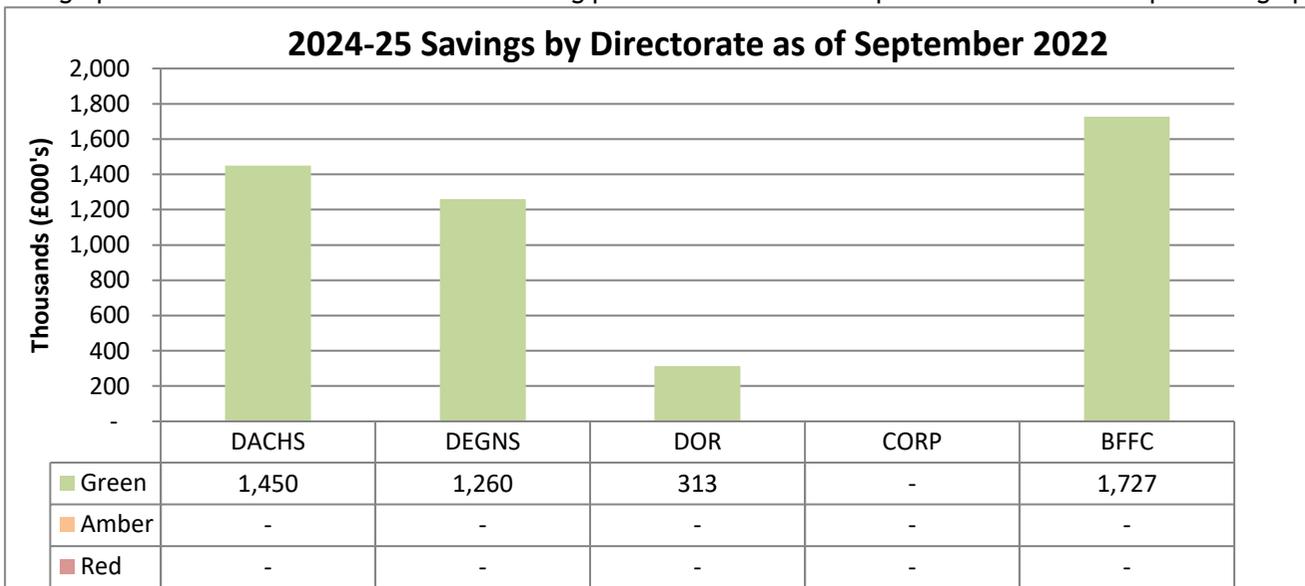
The graph below shows the 2022-23 RAGB rating per directorate as at September 2022 and the percentage per area.



The graph below shows the 2023-24 RAGB rating per directorate as at September 2022 and the percentage per area.



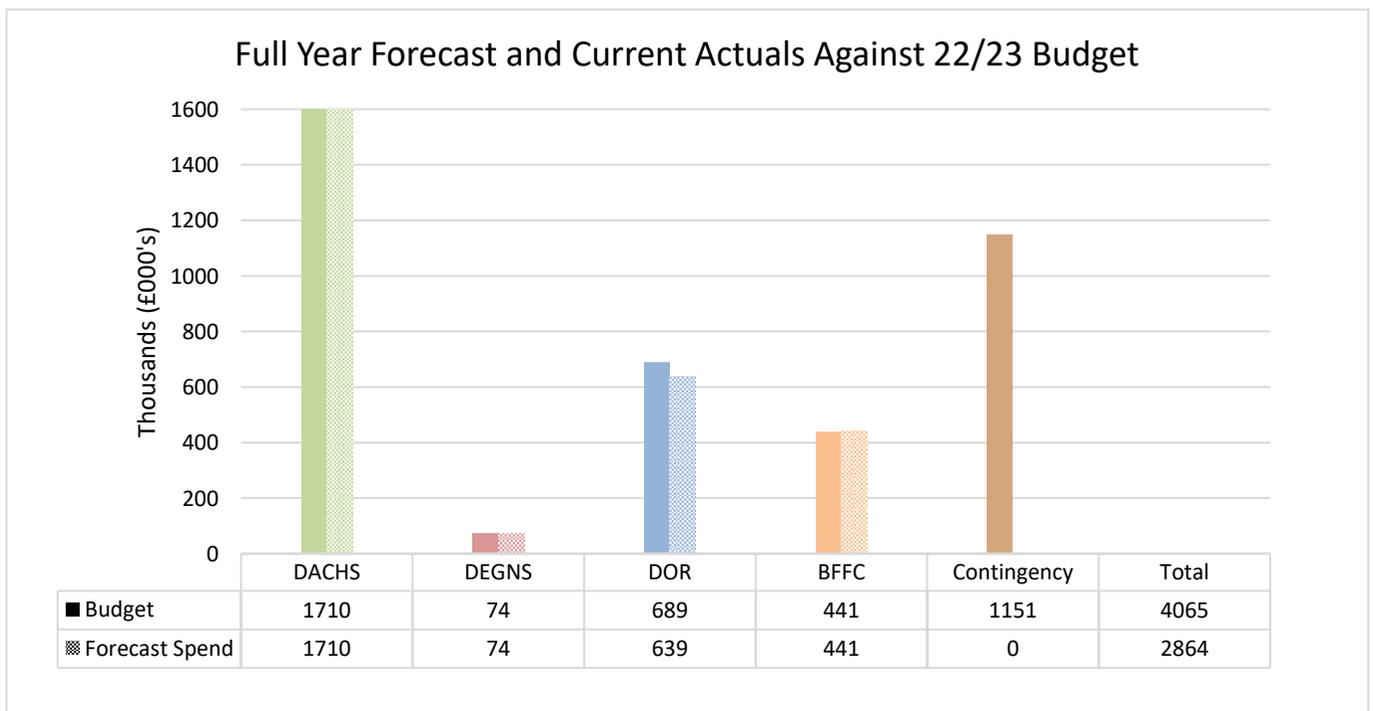
The graph below shows the 2023-24 RAGB rating per directorate as at September 2022 and the percentage per area.



**Delivery Fund**

There are currently 23 approved Delivery Fund schemes being monitored across DACHS, DEGNS, DOR and BFFC.

The graph below shows the forecast and actual spend on Delivery Fund schemes, by directorate, compared to the 22/23 budget for these schemes.



## List of Savings within 2022-23

Savings

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
<b>Directorate of Adults Care and Health Services</b>					
Removal of agreed 3 year Voluntary Care Service funding	0	0	0	250	250
Young people Transitions - Supporting young people into adulthood	0	28	0	22	50
Additional DACHS Staffing Efficiencies	0	0	0	200	200
TEC: Promoting the use of Assistive Technology	0	0	22	56	78
Development of the Personal Assistant Market	0	48	0	2	50
Promoting Independence (Outcome Based Service Delivery)	0	0	32	43	75
Review and Rightsizing of Care Packages (2021/2022)	0	0	37	43	80
Efficiency savings secured through Public Health re-procurement	0	0	0	300	300
Development of an Accommodation Pathway for Vulnerable Working Age Adults	0	0	3	22	25
Closing the DACHS Budget Gap	0	445	109	73	627
<b>Total Directorate of Adults Care and Health Services</b>	<b>0</b>	<b>521</b>	<b>203</b>	<b>1,011</b>	<b>1,735</b>

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
<b>Directorate of Economic Growth &amp; Neighbourhood Services</b>					
School Crossing Patrollers	0	0	14	0	14
Fundamental Service Review - Parking	150	0	0	0	150
Increased revenue from on-street Pay and Display	390	150	0	0	540
Increased income from Parking Enforcement	0	100	120	0	220
Increased provision of Red Routes	0	0	50	0	50
Review Public Car Park provision borough wide	200	0	0	0	200
Increase off street parking charges	150	0	0	0	150
Increase in fees and charges	0	0	3	0	3
Mandatory HMO Licensing	75	0	0	0	75
Discretionary HMO Licensing	20	0	0	0	20
Fundamental Service Review - Planning and Regulatory	0	0	66	0	66
Increase in charges for pre-planning application and planning fees	55	0	55	0	110
Proposed Fee Income Reading Festival	50	0	0	0	50
Reforecast income Licensing income budget	0	0	10	0	10
Increase in fees and charges	0	0	20	0	20
Reduction in professional specialist, management, enforcement and administrative resources; an increase to pre-planning application fees by 10%.	0	0	0	120	120
Town Centre Street Trading - New Pitches	0	0	8	0	8
Housing - Fundamental Service Review	0	0	50	0	50
Increase in fees and charges	0	0	4	0	4
Contribution from Public Health Grant	0	0	250	0	250
In-house management restructuring of Cultural Services	0	100	0	0	100
Increase in fees and charges	0	0	33	0	33
Increase in Savings - Waste Operations	0	0	(130)	0	(130)
Fundamental Service review of Highways	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	25	0	25	0	50
Fundamental Service Review - Parks and Street Cleansing	150	0	12	0	162
Increased income from traded waste services (previous ref to CIL & IPD not relevant)	0	75	25	0	100
Increase in fees and charges	0	0	5	0	5
Additional income from advertising	25	0	0	0	25
Review of Rents on Garages and Shops	0	0	5	0	5
Increase in fees and charges.	0	0	24	0	24
Workforce Review [Transportation]	0	0	200	0	200
Increase parking permit charges	0	0	43	0	43
Arts Fundraising campaign	0	0	60	0	60
Visa Verification increased income	0	0	45	0	45
Rewilding highway verges	0	0	15	0	15
Waste Contract - Budget realignment inline with anticipated expenditure	0	0	100	0	100
Continued commercial growth of Highways service	0	0	5	0	5
In-sourcing of Highways Structures Consultancy	0	0	10	0	10

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Directorate of Economic Growth & Neighbourhood Services	RED	AMBER	GREEN	BLUE	TOTAL
Review of office and workspace requirements	0	162	0	0	162
Workforce Review [Planning & Regulatory Services]	0	0	47	0	47
Workforce Review [Housing]	0	0	50	0	50
Workforce Review [Cultural Services]	0	0	1	0	1
Workforce Review [Environmental and Commercial Services]	0	0	196	0	196
Workforce Review [Regeneration and Assets]	0	0	62	0	62
Recovery of reduced parking income due to Covid-19*	650	0	0	0	650
On Going Pension Costs Savings	0	0	30	0	30
Revenue impact of new contract for borough leisure facilities	0	0	830	0	830
Covid19 income pressure on the Town Hall and recovery plan*	0	0	247	0	247
Covid19 income pressure on the Hexagon and South Street Theatres and recovery plan*	0	0	150	0	150
Reduced fuel costs due to increase in electrical vehicles	44	0	0	0	44
Highways operational resilience	0	0	12	0	12
Investment property rental income increase	0	0	1,086	0	1,086
<b>Directorate of Economic Growth &amp; Neighbourhood Services</b>	<b>1,984</b>	<b>587</b>	<b>3,888</b>	<b>120</b>	<b>6,579</b>

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Directorate of Resources	RED	AMBER	GREEN	BLUE	TOTAL
New customer services model	0	0	207	0	207
Efficiencies from procuring new finance system	0	0	112	0	112
Additional Service Proposals for Registrar Services	0	0	10	0	10
Reduction in employer contributions arising from new Agency Contract	0	0	90	0	90
Increase in Fees and Charges (Kennet Day Nursery)	0	0	5	0	5
Procurement & Contracts savings - Resources Directorate	100	0	0	0	100
Finance workforce review	0	0	50	0	50
Procurement of Case Management system	0	0	45	0	45
Increase in Fees and Charges	0	0	39	0	39
<b>Directorate of Resources</b>	<b>100</b>	<b>0</b>	<b>558</b>	<b>0</b>	<b>658</b>

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Corporate	RED	AMBER	GREEN	BLUE	TOTAL
Reducing mileage expenses through increased use of alternatives e.g. online meetings	0	77	0	0	77
<b>Corporate</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>0</b>	<b>77</b>

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Brighter Futures For Children	RED	AMBER	GREEN	BLUE	TOTAL
BFFC Savings	0	0	371	804	1,175
<b>Brighter Futures For Children</b>	<b>0</b>	<b>0</b>	<b>371</b>	<b>804</b>	<b>1,175</b>

	RED	AMBER	GREEN	BLUE	TOTAL
<b>TOTAL of Savings with Red rated elements within 2020-2021</b>	<b>2,084</b>	<b>1,185</b>	<b>5,020</b>	<b>1,935</b>	<b>10,224</b>

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Capital Programme for Quarter 2

Scheme Name	Revised Budget Quarter 1 2022/23 £000	Budget Movements Between Schemes £000	Additional Budgets added to the Programme - Funded by Grants & Contributions £000	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing £000	- Completed Schemes & Other carry forward budget adjustments £000	Budgets reprogrammed (to)/from Future Years £000	Revised Budget Quarter 2 2022/23 £000	Spend to 30th September 2022 £000	Forecast Spend £000	Forecast Variance £000
<b>General Fund</b>										
<b>Adult Care and Health Services</b>										
e-Marketplace & Equipment Renewal Portal Software	170						170	0	170	0
Mobile Working and Smart Device	150						150	0	150	0
Replacement of Community Re-ablement Software	85						85	0	85	0
Co-located profound and multiple learning disabilities day	1,413						1,413	5	1,413	0
<b>Adult Care and Health Services Total</b>	<b>1,818</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,818</b>	<b>5</b>	<b>1,818</b>	<b>0</b>
<b>Economic Growth and Neighbourhood Services</b>										
<b>Transportation, Planning &amp; Regulatory Services</b>										
Air Quality Monitoring	15						15	0	15	0
Active Travel Tranche 2	985					(885)	100	75	100	0
Active Travel Tranche 3	0		1,500			(1,300)	200	0	200	0
Bus Service Improvement	0		15,939			(15,439)	500	0	500	0
Local Transport Plan Development	1,129					(1,089)	40	12	40	0
National Cycle Network Route 422	132					(124)	8	0	8	0
Reading West Station	4,220					(3,620)	600	59	600	0
South Reading MRT (Phases 1 & 2)	399						399	0	399	0
South Reading MRT (Phases 3 & 4)	1,632						1,632	17	1,632	0
South Reading MRT (Phases 5 & 6)	1,000					(1,000)	0	0	0	0
Town Centre Street Trading Infrastructure	28						28	0	28	0
Construction of Green Park Station	1,969		1,000				2,969	2,655	2,969	0
Car Park Investment Programme (inc P&D, Red Routes & Equipment)	177						177	46	177	0
Additional Storage Capacity at Mortuary	15	(12)			(3)		0	0	0	0
Purchase of Mortuary Equipment	0	12					12	0	12	0
CIL Local Funds - Community	502						502	29	502	0
CIL Local Funds - Transport	167						167	17	167	0
CIL Local Funds -Neighbourhood Allocation	477						477	0	477	0
S106 individual schemes list	977						977	0	977	0
Defra Air Quality Grant - Bus Retrofit	388					(318)	70	0	70	0
Defra Air Quality Grant - Go Electric Reading	18						18	1	18	0
Electric Vehicle Charging Points	125					(125)	0	0	0	0
Air Quality Grant - AQ sensors awareness & behaviour change	106					(106)	0	0	0	0
Transport Demand Management Scheme	200					(200)	0	0	0	0
Rogue Landlord Enforcement	75						75	0	75	0
<b>Transportation, Planning &amp; Regulatory Services - Sub Total</b>	<b>14,737</b>	<b>0</b>	<b>18,439</b>	<b>0</b>	<b>(3)</b>	<b>(24,206)</b>	<b>8,967</b>	<b>2,911</b>	<b>8,967</b>	<b>0</b>
<b>Housing &amp; Communities</b>										
Provision of Gypsy & Traveller Accommodation	566					(466)	100	13	100	0
Harden Public Open Spaces to Prevent Incurtion	42						42	7	42	0
Green Homes Scheme - GF element	0						0	24	0	0
Disabled Facilities Grants (Private Sector)	1,257						1,257	295	1,257	0
Foster Carer Extensions	300					(300)	0	0	0	0
Private Sector Renewals	444						444	28	444	0
<b>Housing &amp; Communities - Sub Total</b>	<b>2,610</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(766)</b>	<b>1,844</b>	<b>368</b>	<b>1,844</b>	<b>0</b>

Capital Programme for Quarter 2

Scheme Name	Revised Budget Quarter 1 2022/23 £000	Budget Movements Between Schemes £000	Additional Budgets added to the Programme - Funded by Grants & Contributions £000	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing £000	- Completed Schemes & Other carry forward budget adjustments £000	Budgets reprogrammed (to)/from Future Years £000	Revised Budget Quarter 2 2022/23 £000	Spend to 30th September 2022 £000	Forecast Spend £000	Forecast Variance £000
<b>Culture</b>										
Leisure Centre Procurement	27,325					(5,053)	22,272	10,452	22,272	0
Christchurch Meadows Paddling Pool	0						0	0	0	0
Development of facilities at Prospect Park/Play	205	25					230	160	230	0
John Rabson skatepark	0			255			255	0	255	0
New Capital Bid - S106 Kenavon Drive Landscape	153					(33)	120	71	120	0
Reading Football Club Social Inclusion Unit to SRLC	1,534					(1,534)	0	0	0	0
Small Leisure Schemes	617	(25)				(281)	311	0	311	0
Abbey Quarter restoration works	120					(70)	50	0	50	0
High Street Heritage Action Zone	905			0		(653)	252	4	252	0
Berkshire Record Office - extension of storage space	63					(47)	16	0	16	0
Hexagon lighting & emergency lighting replacement	270					(255)	15	0	15	0
Town Hall Equipment	205					(15)	190	10	190	0
Tilehurst Library Works	62						62	0	62	0
<b>Culture - Sub Total</b>	<b>31,458</b>	<b>0</b>	<b>255</b>	<b>0</b>	<b>0</b>	<b>(7,941)</b>	<b>23,772</b>	<b>10,696</b>	<b>23,772</b>	<b>0</b>
<b>Environmental &amp; Commercial Services</b>										
Playground equipment and Refreshment: Boroughwide	1,232					(702)	530	23	530	0
Re-wilding highways, parks and open space verges	76						76	0	76	0
Tree Planting	30						30	10	30	0
Annual Bridges and Carriage Way Works programme & Highway Infrastructure Works	4,654						4,654	2,297	4,654	0
Carriageways & Pavements Investment Programme	2,000					(2,000)	0	0	0	0
Chestnut Walk Improvements	35				(35)		0	0	0	0
CIL Local Funds - Heritage and Culture	285						285	11	285	0
CIL Local Funds - Leisure and Play	669					(250)	419	219	419	0
Highway Signals_Capital Bid	200						200	0	200	0
Highways Operational Resilience _ Capital Bid	74					(74)	0	0	0	0
Highways Structures Capital Bid	2,650					(1,200)	1,450	0	1,450	0
Invest to save energy savings - Street lighting	1,171					(400)	771	43	771	0
Pedestrian Defined Urban Pocket Gardens	0		75				75	0	75	0
Pedestrian dropped kerb facilities with tactile pavers	0		240				240	0	240	0
Pedestrian handrails	0		240				240	0	240	0
Pumping Station Upgrade Scheme (new)	229						229	73	229	0
Railway footbridge lighting in West Reading	0		70				70	0	70	0
Reading Station Subway	0		206				206	0	206	0
Reading Town Centre Design Framework	86				(86)		0	0	0	0
Town Centre Improvements	307						307	9	307	0
Free bulky waste service - collection vehicle	64					(64)	0	0	0	0
Cattle Market Car Park	519					(519)	0	0	0	0
Digitised TRO's	150					(150)	0	0	0	0
Eastern Area Access Works	199					(99)	100	0	100	0
Local Traffic Management and Road Safety Schemes	270					(135)	135	2	135	0
Oxford Road Corridor Works	298					(148)	150	0	150	0
Traffic Management Schools	431					(215)	216	0	216	0
Western Area Access Works	128					(64)	64	0	64	0
New Kit/Vehicles for Commercial Services Dvlp	84					(84)	0	0	0	0
New Vehicle for Highways & Drainage Commercial Service	71					(71)	0	0	0	0
Replacement Vehicles	4,403					(1,622)	2,781	0	2,781	0
<b>Environmental &amp; Commercial Services - Sub Total</b>	<b>20,313</b>	<b>0</b>	<b>831</b>	<b>0</b>	<b>(121)</b>	<b>(7,797)</b>	<b>13,226</b>	<b>2,686</b>	<b>13,226</b>	<b>0</b>

Capital Programme for Quarter 2

Scheme Name	Revised Budget Quarter 1 2022/23 £000	Budget Movements Between Schemes £000	Additional Budgets added to the Programme - Funded by Grants & Contributions £000	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing £000	- Completed Schemes & Other carry forward budget adjustments £000	Budgets reprogrammed (to)/from Future Years £000	Revised Budget Quarter 2 2022/23 £000	Spend to 30th September 2022 £000	Forecast Spend £000	Forecast Variance £000
<b>Property &amp; Asset Management</b>										
The Heights Permanent Site Mitigation	287					(243)	44	27	44	0
Invest in Corporate buildings/Health & safety works	1,500					(320)	1,180	123	1,180	0
1 Dunsfold Fitout for BFFC Family Contact Centre - Development for Community Use	350					(75)	275	17	275	0
Accommodation Review - Phase 2A - 2C	1,556					(1,000)	556	87	556	0
Corporate Office Essential Works	841					(841)	(0)	80	(0)	0
Katesgrove Community and YOS Refurbishment - Development for Community Use	750					(600)	150	56	150	0
BFFC Accommodation Review	150					(150)	0	0	0	0
Regeneration Projects	250					(125)	125	85	125	0
The Keep building works and improved arts/culture facilities	94						94	0	94	0
<b>Property &amp; Asset Management - Sub Total</b>	<b>5,777</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,354)</b>	<b>2,424</b>	<b>476</b>	<b>2,424</b>	<b>0</b>
<b>Management &amp; Sustainability</b>										
Renewable Energy	1,183	(488)					695	0	695	0
Salix Decarbonisation Fund	573	725				276	1,574	386	1,574	0
Salix Re-Circulation Fund	294	(237)					57	94	57	0
<b>Management and Sustainability - Sub Total</b>	<b>2,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>276</b>	<b>2,326</b>	<b>480</b>	<b>2,326</b>	<b>0</b>
<b>Economic Growth and Neighbourhood Services Total</b>	<b>76,945</b>	<b>0</b>	<b>19,525</b>	<b>0</b>	<b>(124)</b>	<b>(43,788)</b>	<b>52,558</b>	<b>17,617</b>	<b>52,558</b>	<b>0</b>
<b>Resources</b>										
Customer Digital Experience	750						750	33	750	0
Universal Digital Systems	910					(98)	812	57	812	0
IT Future Operating Model	538						538	451	538	0
Re-Procurement / Reimplementation of Finance System	600					(160)	440	82	440	0
Education Management System	384						384	77	384	0
Cemeteries and Crematorium	85					(85)	0	0	0	0
Cremator Procurement	1,000					313	1,313	0	1,313	0
Cremator	55					(55)	0	50	0	0
Burial Land Acquisition	150					(70)	80	0	80	0
<b>Resources Total</b>	<b>4,472</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(155)</b>	<b>4,317</b>	<b>750</b>	<b>4,317</b>	<b>0</b>
<b>Economic Growth and Neighbourhood Services (Education Schemes)</b>										
Additional School Places - Contingency	250					(200)	50	(1)	50	0
SEN Provision - Avenue Centre	4,291						4,291	1,708	4,291	0
Asset Management	286						286	0	286	0
Children in care Emergency Provision	35						35	0	35	0
Civitas- Synthetic Sports Pitch	25	(1)				(24)	0	(4)	0	0
Contribution to SEN School Wokingham	122	1					123	123	123	0
Crescent Road Playing Field Improvements	311						311	84	311	0
Critical Reactive Contingency: Health and safety (Schools)	500						500	21	500	0
Fabric Condition Programme	3,448						3,448	945	3,448	0
Green Park Primary School	60						60	0	60	0
Heating and Electrical Renewal Programme	1,047						1,047	49	1,047	0
Initial Viability work for the Free School at Richfield Avenue	20						20	0	20	0
Low Carbon Skills Fund - Bid Development	5						5	0	5	0
Low Carbon Skills Fund - Schools Estate Project Delivery	24						24	0	24	0
Katesgrove Primary Trooper Potts Building	59						59	1	59	0
Meadway Early Years Building Renovation	0						0	0	0	0
Modular Buildings Review	500					(450)	50	0	50	0
New ESFA funded schools - Phoenix College	0						0	-90	0	0
New ESFA funded schools - St Michaels	268				(268)		0	0	0	0
Pincroft-Children who have complex health, physical,sensory,disabilities & challenging behaviour	53						53	0	53	0
Dee Park Regeneration - Housing Infrastructure Fund (school)	5,935					(5,435)	500	62	500	0
Public Sector Decarbonisation Funds - School Estate Double Glazing Programme	1,065						1,065	286	1,065	0
SCD Units	473						473	36	473	0
School Estate Solar PV Programme	323						323	319	323	0

Capital Programme for Quarter 2

Scheme Name	Revised Budget Quarter 1 2022/23 £000	Budget Movements Between Schemes £000	Additional Budgets added to the Programme - Funded by Grants & Contributions £000	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing £000	- Completed Schemes & Other carry forward budget adjustments £000	Budgets reprogrammed (to)/from Future Years £000	Revised Budget Quarter 2 2022/23 £000	Spend to 30th September 2022 £000	Forecast Spend £000	Forecast Variance £000
Schools - Fire Risk Assessed remedial Works	560						560	142	560	0
SEN Norcot	83						83	0	83	0
SEN High Needs provision capital allocations	1,983		351			(2,334)	0	0	0	0
The Heights Temporary School	351						351	0	351	0
Park Lane Primary School Annexe Replacement	1,000					(500)	500	0	500	0
<b>Economic Growth and Neighbourhood Services (Education Schemes) Total</b>	<b>23,079</b>	<b>0</b>	<b>351</b>	<b>0</b>	<b>(268)</b>	<b>(8,943)</b>	<b>14,219</b>	<b>3,682</b>	<b>14,219</b>	<b>0</b>
<b>Corporate</b>										
Delivery Fund (Pump priming for Transformation projects)	4,065						4,065	(1,304)	2,864	(1,201)
Loan To RTL (Bus replacement programme)	2,500						2,500	0	2,500	0
Oracle Shopping Centre capital works	100						100	0	100	0
Minster Quarter - Brownfield Land Grant Element	2,000					(1,800)	200	0	200	0
Minster Quarter	1,000					(750)	250	0	250	0
<b>Corporate Total</b>	<b>9,665</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,550)</b>	<b>7,115</b>	<b>(1,304)</b>	<b>5,914</b>	<b>(1,201)</b>
<b>General Fund Total</b>	<b>115,980</b>	<b>0</b>	<b>19,876</b>	<b>0</b>	<b>(392)</b>	<b>(55,437)</b>	<b>80,027</b>	<b>20,750</b>	<b>78,826</b>	<b>(1,201)</b>
<b>Housing Revenue Account (HRA)</b>										
Disabled Facilities Grants	905					(305)	600	355	600	0
Housing Management System	502						502	100	562	60
Major Repairs - Existing Homes Renewal	8,993					(49)	8,944	2,642	8,944	0
Major Repairs - Zero Carbon Retrofit works	2,050					567	2,617	541	2,617	0
Local authority new build programme for Older people and vulnerable adults	1,350						1,350	267	1,350	0
New Build & Acquisitions - Phase 2 - 4	16,702					(2,887)	13,815	6,640	13,815	0
<b>Housing Revenue Account (HRA) Total</b>	<b>30,502</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,674)</b>	<b>27,828</b>	<b>10,546</b>	<b>27,888</b>	<b>60</b>

# Corporate Plan KPI - Foundations

Status	DOT	Title	Frequency	Unit	Target	Q1	Q2	Comments
◆	↓	Number of self- service transactions via My Account self-service	Monthly	No.	70,000	20,308.00	19,800.00	We have been focusing on the calculation methodology used by Google Analytics to make the published figure as accurate as possible. Changes we have made in this quarter have, we believe, reduced the amount of double counted transactions, and now more accurately reports the current level of customer engagement online. We will continue to review this methodology and provide a further update at the next corporate review date. The target figure was based on current (at the time) reported figures, it is likely this will need reviewing after a further period of reporting (and confirmation that the changes to the process have resulted in more accurate figures)
●	↓	Number of invoices paid within 30 days of invoice date	Quarterly	%	80	96.60	86.63	The number of invoices paid within 30 days during 2022-23 has included a significant number of £150 energy rebate payments which had the effect of improving the KPI in Q1 when most of the rebates were paid, and to a lesser degree in Q2.
▲	↓	Enquiries solved at first point of contact in the Customer Fulfilment Centre	Quarterly	%	87	86.00	84.00	
◆	↓	Customer satisfaction in the Customer Fulfilment Centre	Quarterly	%	89	64.00	60.00	
	↓	Deliver the Medium Term Financial Strategy	Quarterly	£ million		149.43		
●	↑	Percentage of responses to complaints within agreed timescales	Quarterly	%	70	80.80		The final Q2 data is not yet available.
◆	↓	Percentage of responses to the public on Freedom of Information Act requests made within 20 days	Quarterly	%	90	65.30		Officers/managers do not prioritise responding to FOI requests and this has been raised at CMT. Information Governance Board & DMTs within RBC and BfC. The Information Governance service is working through an Action Plan over Q3, working with services to raise awareness of the importance of responding on time and offer training to officers/managers with a view to working together to raise the response rates. The final Q2 data is not yet available.



## Corporate Plan KPI - Healthy Environment

Status	DOT	Title	Frequency	Unit	Target	Q1	Q2	Comments
▲	▲	Percentage of actionable (40mm depth) potholes repaired within 28 days	Quarterly	%	99	93.00	94.00	
◆	▼	Remediation of tall buildings with cladding	Quarterly	%	100		80.00	
▲	▼	Percentage total household waste recycled	Quarterly	%	51	52.00	49.00	The provisional quarter 2 recycling rate was 49.3%. This compares to 51.8% in the same period last year. Total household tonnes are falling as the economic situation changes, but recyclable tonnages are falling more than those collected as non-recycled. The biggest decline has been in food waste. Officers are continuing to monitor the data.
●	▼	Percentage of Houses of Multiple Occupation that are licensed	Quarterly	%	42	42.40	42.15	
▲	▲	Food waste recycled (percentage of household waste)	Quarterly	%	14	11.60	11.90	Lower food waste tonnes compared to the same period last year could be the result of residents having become more aware of the amount of food they were wasting. If lower tonnages are the result of waste reduction, this is a positive outcome. Increased financial pressures may also be causing residents to waste less food. However we are also aware that some food waste is present in the residual waste, and we need to capture this for recycling. Officers will continue to monitor the tonnages.





# Corporate Plan KPI - Thriving Communities

Status	DOT	Title	Frequency	Unit	Target	Q1	Q2	Comments
●	↑	Number of carers supported to maintain their caring role	Quarterly	No.	120	99.00	201.00	Due to a delay in supplier data, the Q2 figures have yet to be cross checked so may fall slightly. Overall more carers have been supported.
●	↑	Number of households prevented from becoming homeless	Monthly	No/yr	450	140.00	264.00	Data is cumulative to date.
●	↑	Number of NHS Health Checks delivered to residents	Quarterly	No. per qtr	150	234.00	452.00	Health Checks carried out by one surgery (Melrose & Eldon) represents 44% of the total.
●	↓	Older People (65+) who were still at home 91 days after discharge from hospital into reablement	Monthly	%	80	96.90	94.10	The Reablement offer within Reading continues to offer good outcomes to residents being discharged from hospital.
▲	↑	Percentage of children in care living more than 20 miles from Reading	Quarterly	%	28	30.00	29.00	Proactive action taken to address the challenge of local place sufficiency (a challenge the Local Authorities across England are experiencing) is beginning to evidence impact, with more children being initially placed in or returning to placements in Reading. A reduction in the overall number of children coming into care means that the number of children who became looked after some years ago and are settled with long term carers beyond 20 miles continues to have a high proportionate impact on this indicator.
●	↑	Percentage of new contacts to the Advice & Wellbeing hub resulting in a successful outcome not requiring an on-going service	Monthly	%	80	92.00	94.00	Activity in Q2 continues to increase, staff are supporting residents in a proactive manner, signposting residents to voluntary sector and continue to using a Strength Based Approach
▲	↓	Percentage of service users in receipt of Adult Social Care Direct Payments	Monthly	%	24	22.01	21.91	All service users and carers are continued to be offered their personal budgets via a Direct Payment method in the support planning process.
●	↑	Percentage of service users supported to live independently in the community	Monthly	%	74	75.00	76.00	Supporting people in their own homes and in the community remains a key objective for Adult Social Care.
●	↓	Proportion of stop smoking service users, who have set a date to stop smoking and are still not smoking 4 weeks later, that are routine and manual workers	Quarterly	% per qtr	40	60.00	40.00	Due to the lag in stop smoking service data, the previous quarter's data (Q1 - 60%) is the most robust. This data is still provisional, as the final national dataset is not published 'til later in the year. This figure exceeds the target set of 40%. The improvement has been largely due to the service being able to access more sites and setting up more drop-in clinics in targeted communities.  We estimate that performance in Q2 will be on or above target of 40%.
●	↑	Youth re-offending rate	Quarterly	%	30	0.27		This provides the data for the period Apr 20 - June 20. Sep data is not available



# Corporate Plan Projects - Foundations

Project or activity	Q1	Q2	DOT	Q2 Commentary
Embedding the Hub and Spoke structure	▲	▲	→	Procurement Hub members are supporting the recruitment of further personnel to procurement spokes, meeting being organised for all spoke and hub members.
Implement business process redesign	▲	▲	→	The base build of the finance system completed in August 2022 with a new Chart of Accounts, cost centre hierarchy and sample supplier and customer data loaded in September to support system testing from October 2022. A weekly work schedule has been agreed with Finance and Procurement Teams to review the system build and perform testing to help achieve the milestone of completing integrated system testing by end December 2022. Additional resources are expected to be assigned to the project in November to lead on testing and training. The updated project plan includes the milestones of loading 2023/24 budgets on to the new system in January 2023 and a full finance system go-live in April 2023.
Implement Social Value Strategy and reporting	▲	▲	→	Social Value tools have been developed and need implementing, this will form part of the overall updating and roll out of procurement guidance which will commence once the new permanent AD starts 8.11.2022
Implementation of the Connected Reading Strategy	▲	▲	→	<p>The Casework and Customer Management platform procurement has completed, with award (subject to contract) to Arcus Global.</p> <p>Independent Living is progressing, with the first equipment now installed (at a Discharge to Assess facility) and arrangements to recruit service users now in place. However, progress has been slower than planned owing to business pressure and we are injecting additional project management capacity to accelerate it.</p> <p>The Mosaic Data project has completed. It has provided staff with instant on-demand access to financial information to aid decision making that previously took days to produce. It has also built understanding of limitations in Mosaic that have prompted discussion on wider work on that area (being looked at in budget proposal round).</p> <p>Public WiFi test sites have been deployed and are in testing. The principal issue identified in testing is the alignment of the filtering provided by commercial solutions with that required by PREVENT legislation. This is being worked through by the technical teams in RBC and supplier now.</p> <p>As previously reported, progress on strategy implementation has been hampered by a lack of delivery capacity. Approval to procure a delivery partner is the subject of a paper being considered by Policy Committee on 31 October. It is hoped this will enable a rebaselining and a return to green status.</p>
Implementation of the Customer Experience Programme	▲	●	↑	Delivery with the approved 2022/23 programme plan progresses. Where localised resource challenges have emerged, implementation timelines have been assessed and rebaselined with approval from the CX Delivery Group.
Implementation of the Information Governance	▲	▲	→	we are in the process of recruiting the Data Stewards in order to start working on the Info Management Strategy Action Plan.

# Corporate Plan Projects - Healthy Environment

Project or activity	Q1	Q2	DOT	Q2 Commentary
£9 million investment in resurfacing roads and pavements.	●	●	⇒	On track to deliver
Climate Emergency Strategy	▲	▲	⇒	The majority of actions remain green (on track) or amber (progressing but at risk of not being delivered by the target date) but this will be updated in the Annual Progress Report produced in November 2022 and presented to SEPT Committee.
Decarbonisation of the Hexagon theatre through improved heating and lighting.	●	▲	⇩	A bid for funding to support this project was submitted to the Government's Public Sector Decarbonisation Scheme in October 2022 and the outcome of the bid is awaited. In the interim development of the project continues but a number of complexities and risks remain, hence the amber rating.
Deliver and develop the new play hub at Prospect Park.	▲	●	⇩	Awaiting a final offer on the cafe space; low ropes and golf; educational space is now complete and usable.
Delivery of Capital Education Property Development Programme	●	●	⇒	Projects and programme progressing as per the intended timescales
Electrification of fleet	▲	▲	⇒	RC fleet vehicles are being replaced at the end of their maintainable life with electric vehicles where electric vehicles are presently available on the marketplace as part of the Council's commitment to electrify its fleet wherever possible. This is factored into the Council's annual capital vehicle replacement programme. There is presently due to world economic factors a longer than normal lead in times in being able to procure and take delivery of replacement vehicles.
Implementing the Environment Act 2021	▲	▲	⇒	No change. Still awaiting the release of the secondary legislation of the Act which will provide further details needed to assess the implication to how the Council will need to adapt its waste collection and disposal services.
Improvements to play areas and park environments	▲	▲	⇒	
New Local Transport Plan (LTP) for Reading	▲	▲	⇒	No change - still awaiting DfT guidance.
Retaining our position on the 'A' list' for bold leadership on climate change	●	●	⇒	At the time of reporting, Reading remains on the A list for climate action (CDP) and completed its submission for this year's assessment in July 2022. The outcome is anticipated in November 2022.
The allocation of £1.6 million Community Infrastructure Funds and commencement of the approved schemes	▲	▲	⇒	£1.6 million of Community Infrastructure Levy funds were allocated to 18 local projects in March 2022 by Policy Committee. Work has completed on three of the projects, and has commenced on two further projects, whilst the remainder are currently in the preparatory stages or are awaiting the completion of projects previously allocated CIL funds in 2021.



## Corporate Plan Project - Inclusive Economy

Project or activity	Q1	Q2	DOT	Q2 Commentary
Actions arising from the Powered by People strategy	●	●	→	A report outlining the next programme phase, focused on RECOVERY during the Cost of Living Crisis goes to SEPT for approval in November. This will include self employment, upskilling and retraining programmes which will support delivery ahead of the UK Shared Prosperity Project work. Carbon reduction skills, screen production will be a key area of future skills delivery.
Work in partnership to further the community and Council ambitions for Reading Gaol	●	●	→	As per Q1, the Ministry of Justice expect to be notifying the Council of a decision in Autumn 2022.
Review all community buildings for digital connectivity and access to computer equipment	●	●	→	Community Consultation underway
Participatory research on the lived experience of diverse communities in the Borough	●	●	→	Complete
Complete and open Green Park Station	▲	▲	→	Construction complete, station opening process being undertaken by the railway industry with opening delayed until early 2023.
Continued delivery of South Reading Mass Rapid Transport	●	●	→	Current phase complete - funding for phase 5 being secured through BSIP funding.
Adoption of a new Town Centre Strategy	●	▲	↓	Further conversations ongoing with regards the content and structure of the strategy with Leadership. Additional engagement with key stakeholder being carried out on potential inclusion of opportunity areas for development. Also aligning with Local Plan Review, Public Realm Strategy and Local Transport Plan. Adoption likely to be 2023.
Complete Reading West Station upgrade	▲	▲	→	Interchange works complete, station works being undertaken by GWR which are due to be complete spring 2023.
Deliver key improvements to the library service, including plans for the Central Library.	●	●	→	LUF bid outcome awaited, service has removed fines (Policy Committee September 2022), ongoing work on app and promotion, delivery plan on track
Employment and Skills programme delivered via REDA	▲	▲	→	REDA co-organised (with DWP) a Supported Employment event in September with 30 organisations available to 300 local residents. A Job Fest followed at the end of the month for 40 employers and approx. 500 local job seekers. Construction Skills continued to be supported at key sites including Station Hill and Rivermead. New ESPs have been agreed focusing even more work on construction skills (and skills shortages). Support for small businesses continues through the Reading Business Network (450 members) and ambitious support for start up in the community will be supported as part of the enabling work towards the UK Shared Prosperity Fund.
Action plan in place to improve community engagement mechanisms across diverse communities	●	●	→	Restructure consultation to lunch in November
Develop a Strategy for Social Inclusion in Reading	●	●	→	Strategy development underway and managed through Social Inclusion Board. Strategy currently tracking to Policy Committee in December.
Bring forward the Minster Quarter site for development	●	●	→	Successful launch of site to developers September 14th. First stage of tender process (Selection Questionnaire) initiated 21 September. To conclude by 16th October with report to Civic Board on shortlisted bidders. Second stage tender (Invitation to Tender) to be issued 28 October, with returns by 28 February.
Create a workforce that is fully representative of the population we serve	◆	◆	→	The Council publishes a Workforce Profile which covers data on the protected characteristics of the current workforce and job applicants – the most recent report is for 2021/22. The proportion of job applicants from minority ethnic backgrounds increased again in 2021/22 to 37.1%, up from 32.6% in 2020/21 and 30.9% in 2019/20. The proportion of White British applicants has again reduced slightly in 2022/21 compared to the last two years, to 49.4%. 27.3% of new starters were from non-white British ethnicities, compared to the percentage of non-white British ethnicities in the general workforce (15.9%). The percentage of the workforce in minority ethnic groups has gradually increased over the last few years and is now 15.9%, up from 14.4% in 2020/21. This project has been given a red rating as the population of Reading from Black, Asian and Minority Ethnic backgrounds according to the 2011 census was 25%, so we are not yet achieving this target. There is a higher proportion of staff within the lower pay grades 1-6 for Black/Black British employees and those from Mixed and Other Ethnic Groups compared to White British staff. The exception is for Asian or Asian British staff where there is a lower proportion in Grades 1-6 and a higher proportion in Grade 7-10 compared to White British staff.
Shape the 3 year delivery plan 2022-25 for Reading's Culture and Heritage Strategy	●	●	→	The workshop has been held and an action plan is being co-produced with Arts Reach. The action plan is on track for being signed off by Autumn end.
Develop and implement training programmes	▲	▲	→	This academic year has started well, all ICT courses planned for this term reached, at least the minimum number of learners and some exceeded the maximum (Green). From the last report we have run 2 Hospitality courses and planning a SWAP in Hospitality starting in November, we are working in partnership with JCP and an organisation called Contract Options. Our last cohort in Hospitality hosted the McMillan coffee morning, taking order, making and serving hot drinks and cakes (Green). The new Supported Learning in Hospitality programme has started, we have 6 learners enrolled, who will soon begin their work experience at Barista and Beyond, we are planning for the next cohort which will start in January. Employability courses have also started, in addition to those we are planning 2 SWAPs in partnership with JCP, one in Retail and one of over 50s to support with Confidence Building, and Interview Skills. We are also in talks with



## Corporate Plan Project - Thriving Communities

Project or activity	Q1	Q2	DOT	Q2 Commentary
Celebrate Reading's diverse arts, culture and heritage	●	●	→	A range of activity has taken place including ongoing development of diverse programme of story telling in libraries; facilitated the Bengal Cultural Association's Autumn Festival at Rivermead; supported planning of Diwali event and Black History Month.
Commissioning a new smoking cessation service	●	●	→	The commissioning has been completed and the new service commenced on 1 October 2021
Continue to deliver investment in the borough's leisure facilities (including improvements at Meadway Leisure Centre, a new community pool at Palmer Park and progress on the new Rivermead Leisure Centre).	●	▲	↓	Works are on track at Palmer Park with a view to facilities being completed and opened in Winter 2022. There are delays to works at Rivermead whilst permissions are awaited from the Environment Agency to conclude works with the swimming pools developments.
Deliver 300 new Council homes	●	●	→	
Deliver zero carbon initiatives within Council homes	●	●	→	
Delivery of a new Community Safety Plan with a focus on tackling serious violence and improving community engagement	●	●	→	Public Consultation completed. Priorities agreed by CSP. Sign off by CSP at Executive Board on 10th November. Date for adoption by HNL moved to the additional HNL Committee meeting in January. Strategy to go live on 5th January. This brings the strategy closer to the launch of the Serious Violence Duty, which is anticipated to go live at the end of January 2023.
Delivery of the small grants funding	●	●	→	All awarded organisations have acknowledged receipt of grant payment. Second round in preparation for launch on 10th October.
Develop social inclusion community development plans for the most deprived areas	●	●	→	Completed
Development of a Personal Assistant Market to enable people to live independently at home	▲	▲	→	Reading Council's Personal Assistant (PA) team have been working with the training department to make the training offer for PAs as comprehensive as possible. A report has been written about options for the Council's PA offer following the end of the PA Market Development Project in October. Reading Council's PA team attended a Provider Services recruitment event at Whitley Wood Service in September.
Development of an accommodation pathway for vulnerable working age adults	●	●	→	Conversations with operational staff failed to identify any service users who could move into alternative accommodation, including vacancies in the RBC-owned Group Homes. DMT will discuss whether to relinquish some of these Group Homes in line with utilisation, in order to reduce the annual maintenance budget. Work is now underway on refreshing the Accommodation Pathways and Needs Analysis prior to the end of 2022.
Implement plans to commemorate the Forbury Gardens attacks and install a permanent memorial in the Gardens	●	●	→	Dialogue with the families is on going. Commissioning work being prepared to launch in Autumn 2022.
Implementation of the VCS action plan to build our relationship with the VCS and increase capacity within the sector.	●	●	→	Engagement with the VCS has continued to be focussed on the Closing the Gap commissioning process with Phase 2 completed. Focus will now shift to developing relationship with the sector including definition of a new RBC Offer for supporting and collaborating with the VCS in the new year.
Procurement of new cremator	●	●	→	The two cremators are on schedule for delivery by the end of October. Tenders for the build work (due to commence in January 2023) are at the evaluation stage.
Recommissioning of Closing the Gap	●	●	→	
Review and expansion of the Community Reablement Team to maximise peoples independence	▲	▲	→	In quarter two the project has been focussed on optimising the service offer for the existing cohort of service users, maximising the use of the current resources available both in the service and through joint opportunities with stakeholder. Through this work the number of additional posts has been reduced. The project group continues to refine the process map for the service along with redesigning the in-take criteria. This work has clarified pathways and ensures that those not eligible for the service are still supported and able to access the service when appropriate ensuring that opportunities to assess packages of care, with the potential to reduce costs, are not lost. Stakeholders have been consulted and continue to be kept up to date and recruitment is still being progressed based on new analysis of the level of therapeutic input needed within the service.
Supporting residents to recover from the devastating fire at Rowe Court, helping them to find alternative accommodation and welfare support	●	●	→	4 residents still being supported to find alternative accommodation working with property owner
Work with our new leisure provider to increase rates of physical activity	●	●	→	GLL continue with programmes onsite and outreach in the community. Performance data of the HealthWise programme being monitored with Public Health.

## READING BOROUGH COUNCIL

### REPORT BY DEPUTY CHIEF EXECUTIVE

<b>TO:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>24 January 2023</b>		
<b>TITLE:</b>	<b>INFORMATION GOVERNANCE QUARTERLY UPDATE</b>		
<b>LEAD COUNCILLOR:</b>	<b>Cllr Terry</b>	<b>PORTFOLIO:</b>	<b>Corporate Services and Resources</b>
<b>SERVICE:</b>	<b>INFORMATION GOVERNANCE</b>	<b>WARDS:</b>	<b>ALL</b>
<b>LEAD OFFICER:</b>	<b>Michael Graham</b>	<b>TEL:</b>	
<b>JOB TITLE:</b>	<b>Assistant Director Legal and Democratic Services</b>	<b>E-MAIL:</b>	<b>michael.graham@reading.gov.uk</b>

#### 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 around Information Governance.
- 1.2 In the last two years, the Committee has received a number of 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 outlines its vision and priorities for Reading for the next three years (2022/25). The Council's vision is to help Reading realise its potential and to ensure that everyone who lives and works here can share the benefits of its success. To make this vision happen, the work of the Council is focused around three Corporate Plan themes:
  - Healthy Environment
  - Thriving Communities
  - Inclusive Economy
- 3.2 These themes are underpinned by the TEAM Reading principles which explain the way we work at the Council:

- Team
  - Efficiency
  - Ambitious
  - Making a difference
- 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 [Corporate Plan-2022-25](#).
- 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 has to 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

##### Subject Access Requests

- 4.1 There remains a backlog of subject access requests. We have brought in additional temporary members of staff to deal with the backlog, they have assisted us to redact files of some of the older cases and these are currently being checked before being sent out. The team carried out a full review of all the outstanding cases and the table below set out the figures for those cases that have been redacted, checked, and sent out. In total a further 15 cases have been completed since the last report in September 2022. 18 new cases have also been received between September and End December 2022.
- 4.2 During October and November, the team worked with the Council’s Contract and Procurement Team to tender a contract for redaction software. A preferred Supplier has been awarded the contract. The contract is being finalised and a plan for implementation being put in place.

##### SAR Backlog Data as at 05/01/2023

	19/20		20/21		21/22		22/23	
	RBC	BFfC	RBC	BFfC	RBC	BFfC	RBC	BFfC
No Received	52	88	35	64	45	38	31	40
No Completed	52	85	28	52	35	34	22	23

<b>No Outstanding</b>	<b>0</b>	<b>3</b>	<b>7</b>	<b>12</b>	<b>10</b>	<b>4</b>	<b>9</b>	<b>17</b>
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4.3 The Information Governance Officer is in post, working with the team’s apprentice they are continuing with supporting the Team Leader. Two agency staff were in post until the end of December, this has reduced to one until the new software is implemented.

4.4 We will report further progress to the Committee.

#### FOI cases

4.5 As previously reported, a number of measures have been taken with the aim of increasing FOI performance:

- Centralisation of the function in the Customer Relations Team
- Implementation of a new case management system
- Review of the procedures
- Training has been provided to officers
- Continual monitoring weekly by CMT

4.6 Notwithstanding these measures, performance across the Council remained low, despite some pockets of improved performance which have been reported to previous Committees. The Council aspires to meet the 90% response rate expected by the Information Commissioner and this has been included as a Corporate Plan KPI.

4.7 Following the update provided at the September 2022 meeting for quarter 1 of financial year, 2022/23 the data for quarter 2 is below.

#### Freedom of Information Requests

##### Total number received in Q2

Directorate	Total No. Received	%	Q1 Total
BFfC	51	17.1%	41
DACHS	14	4.7%	23
DEGNS	131	43.9%	107
DoR	95	31.9%	118
FOI Team	7	2.3%	N/A
<b>Total</b>	<b>298</b>	<b>100%</b>	<b>289</b>

4.8 There has been a further increase in the number of FOI’s received during the quarter, we cannot establish a pattern as to why this is on the upward trend.

##### FOI’s Responded to in Timescale by Directorate in Q2

Directorate	No. Sent Out in Timescale	%
BFfC	30	58.8%
DACHS	9	64.3%
DEGNS	92	70.2%
DoR	77	81.0%
FOI Team	7	100%

Total	215	72.1%
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#### 4.10 Breakdown by month

##### Breakdown by month for Q2

Directorate	FOI's received in July	% Sent Out in Timescale in July	FOI's received in August	% Sent Out in Timescale in August	FOI's received Sept	% Sent out in Timescale in Sept
BFFC	21	60.6%	16	50%	14	57.1%
DACHS	5	60%	3	100%	6	50%
DEGNS	43	65.1%	45	68.9%	43	76.7%
DoR	33	72.7%	33	84.9%	29	72.4%
FOI Team	4	100%	0	0%	3	100%
<b>Overall</b>	<b>106</b>	<b>68.9%</b>	<b>97</b>	<b>72.2%</b>	<b>95</b>	<b>71.6%</b>

4.11 In Q2 the Council and BFFC responded to 298 FOI's and 215 (72.1%) of these were within timescale, whilst this is lower than we would like, this is an improvement from Q1 when 58.1% were responded to in timescales.

4.12 Of the 298 FOI's responded to, 13 of these came back to the Council and BFFC for Internal Reviews (IR). Of these 13 IR's, 10 were issued with revised responses and 3 were issued with the original information.

4.13 The FOI Act 2000 states all responses must be sent out within 20 working days. Following a complaint to the Information Commissioners Office (ICO) by a resident, the Assistant Director of Legal Services and Customer Relations and IG Service Manager has met with the Information Commissioner's staff to discuss the Action Plan and the work being undertaken by the Council and BFFC to improve the response rates. The Action Plan and data has been shared with ICO and will continue to be shared with them until they are satisfied with our data.

4.14 Customer Relations and IG Service have embarked on a plan of working with Services with a view to improving response timescales across the Council and BFFC. We informed you in the last report that the FOI policy and procedure was updated and a dedicated FOI intranet page has been created for officers to access with helpful information.

4.15 The Action Plan for working with services was rolled out through Autumn which included presentations to DMT's, Service and Team Managers (including BFFC) focussing on highlighting issues and the consequences for the Council when FOIs are not responded to on time. These sessions were also used to collate feedback from managers and officers about the challenges they faced when asked to respond to an FOI Request.

4.16 This feedback has been categorised into three different themes, which are:

- System Related issues
- Training
- Notifications/Cross-team responding

4.17 Officers will be reviewing the outputs and feedback in January with a view to implementing further system improvements.

4.18 During the engagement sessions the regular FOI responding officers were identified, there are approximately 95 Officers that Customer Relations and IG Service will work

closely with to the timescales for responses. Further support will be focussed on this key group.

- 4.19 Officers have arranged a face-to-face training session at the end of January 2023 followed by an online session (for those who cannot attend the face to face to session) with the regular responding officers. These sessions will focus on addressing and supporting the officers with the common challenges they face with regards to the themes noted above.
- 4.20 Feedback on progress and performance will be provided at the April 23 committee meeting.

### **Data Transparency**

- 4.21 The last review of the Data Transparency pages on 1 December identified that Contract and Procurement data remain out of date. This has been highlighted to the newly appointed Assistant Director Procurement and Contracts who is due to feedback his plan to update this data to the Customer Relations & Information Governance Service Manager by the end of January 2023.

### **Information Governance Board**

- 4.22 The Information Governance Board meet monthly and review Cyber Security Incidents and possible breaches of the Data Protection Act which may need to be reported to the Information Commissioners Office (ICO). Where any subsequent actions are identified then these are monitored. There has been one incident which the ICO is investigating, the Council's IT Security team satisfied us that the incident posed a low-risk rating to the data subjects. This is a cyber incident which impacted one the Council's software suppliers. The Council has responded to the to the ICO and await their feedback.
- 4.23 The most common themes across both organisations continue to relate to mis-addressed emails and postal addresses being wrongly input, either through transcription errors or in a few cases, wrong data has been held on our systems. All of the incidents and main themes are reported to IG Board on a monthly basis. The IG Team review each incident and identify learning for the staff/services involved to ensure repeat incidents do not reoccur.
- 4.24 At the Board's request the Information Governance Team and IT Security team have explored measures that can be put in place to increase security of outgoing emails. Since the last update, due to the continuing issue of misdirection of emails colleagues in IT Security have identified two possible products as a security measure to address this problem. The Board reviewed the two products that could address this issue however no decisions has yet been reached on the viability of purchasing one. The Board acknowledged there are risks of possible fines for data breaches which may exceed the cost of having a system in place to help mitigate these risks.

### **Information Management Strategy**

- 4.25 The Information Management Strategy and Action Plan was presented and signed off by the Policy Committee in March 2022. This sets out the Council's approach to information management and governance. The IG Service has identified the Information Assets Owners to be the Assistant Directors, who have been made aware of their responsibilities via presentations at SLG however formal training needs to be carried out with them. The Data Stewards are in the process of being named and the Information Governance Board agreed the role of the Data Steward linked in with the role of the Devolved Admins who has played a major role in the implementation of SharePoint across the Council and BFFC. A terms of reference / job description for this

combined role is in the process of being drafted. The planned training for the Information Asset Owners and the Information Governance Champions Network has been impacted by the work on the FOI Action Plan and urgent and time-consuming operational matters. The IG Team will progress this work and report to this committee in April 2023.

## **Training**

- 4.26 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 uptake of the training has shown some improvement from 47% in September 2022, as at 09 December 67% of staff had completed the Cyber Security 2022 module and 63% of staff had completed the Information Governance 2022 module either in full or the refresher. The Customer Relations & Information Governance Service Manager has escalated information to Assistant Directors and Executive Director for their attention.
- 4.27 Non-IT users have also been asked to complete the paper based training by the first week of October 2022. We are waiting for a report on the figures for the uptake of this training.

## **Next Steps**

- 4.28 The focus is the completion on the FOI Action Plan, the training of Information Asset Owners and Data Stewards to implement aspects of the Information Management Strategy particularly with reference to Records Management practices.

## **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 of 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 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, the Freedom of Information Act, the Environmental Information Regulations and the Access to 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.

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## READING BOROUGH COUNCIL REPORT

### REPORT BY DIRECTOR OF RESOURCES

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>24 JANUARY 2023</b>		
<b>TITLE:</b>	<b>IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE SERVICES &amp; RESOURCES</b>
<b>SERVICE:</b>	<b>AUDIT</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>CHARLIE STEWART</b>	<b>TEL:</b>	
<b>JOB TITLE:</b>	<b>DIRECTOR OF RESOURCES</b>	<b>E-MAIL:</b>	<b>Charlie.stewart@reading.gov.uk</b>

#### 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 2023.**

#### 3. POLICY CONTEXT

- 3.1 This report supports the Council's Corporate Plan 2022-25, ensuring that the Council has fit for purpose processes and remains financially sustainable in order to deliver its service priorities.

#### 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 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 99 recommendations on the tracker, attached at Appendix 1, of which 26 are reporting as completed since the last meeting and will be removed prior to the next meeting. 13 recommendations have been added to the tracker since the last report.
- 4.4 The age of the recommendations is shown in the table below:

	April 22		June 22		Sept 22		Jan 23	
20/21	28	27.7%	20	20.8%	16	17.6%	16	15.4%
21/22	73	72.3%	59	61.5%	62	68.1%	57	54.8%
22/23	-	-	17	17.7%	13	14.3%	26	26.3%
<i>Total</i>	<i>101</i>	<i>100%</i>	<i>96</i>	<i>100%</i>	<i>91</i>	<i>100%</i>	<i>99</i>	<i>100%</i>

- 4.5 Prior to reporting to Committee, officers responsible for implementing the specific recommendations are asked to update the Audit Tracker. Each recommendation is marked with a percentage complete which correlates to a red (up to 25%), amber (26%-75%), or green (76%+) rating. However, any recommendations that are less than 50% complete but have exceeded their agreed completion date are also marked red.
- 4.6 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.
- 4.7 The status of the recommendations detailed in Appendix 1 is as follows:

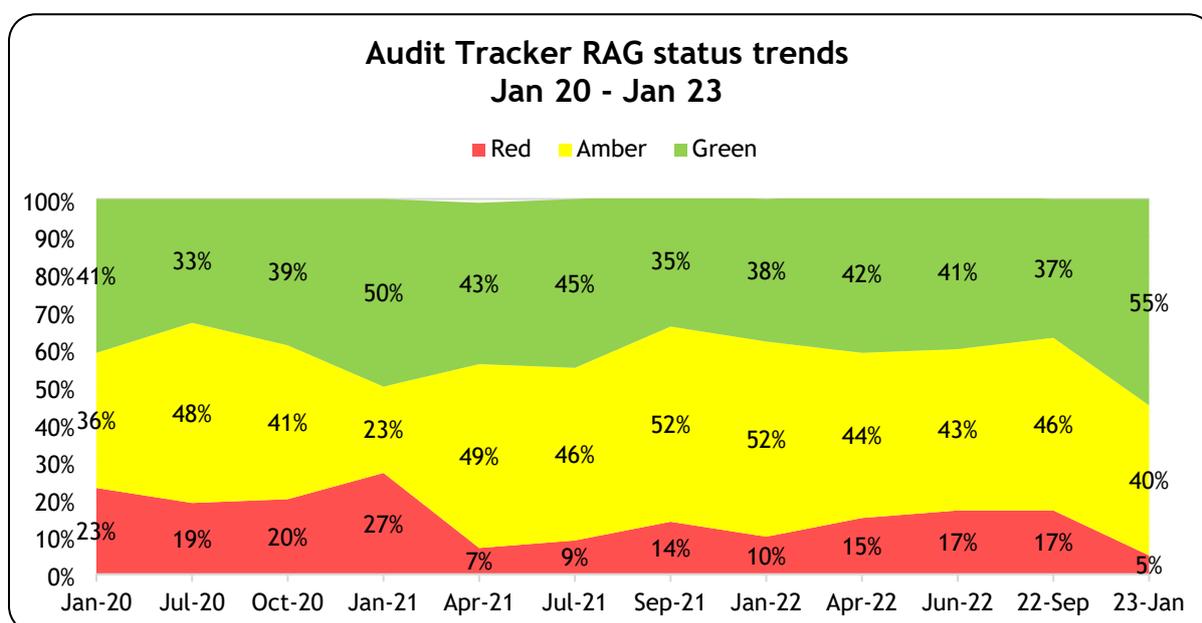
<i>RAG Status</i>	<i>Percentage</i>	<i>Number</i>
<b>Complete</b>	<b>26</b>	<b>26.3%</b>
<b>Green (but not complete)</b>	<b>28</b>	<b>28.3%</b>
<b>Amber</b>	<b>40</b>	<b>40.4%</b>
<b>Red</b>	<b>5</b>	<b>5.1%</b>

<b>RAG Status</b>	<b>Audit &amp; Governance Meetings</b>				<b>Trend since previous meeting</b>
	<b>April 22</b>	<b>June 22</b>	<b>Sept 22</b>	<b>Jan 23</b>	
<b>Green</b>	<b>42%</b>	<b>41%</b>	<b>37%</b>	<b>55%</b>	<b>Increase</b>
<b>Amber</b>	<b>44%</b>	<b>43%</b>	<b>46%</b>	<b>40%</b>	<b>Decrease</b>
<b>Red</b>	<b>15%</b>	<b>17%</b>	<b>17%</b>	<b>5%</b>	<b>Decrease</b>

- 4.8 The percentage of red recommendations has decreased significantly to 5%. The number of recommendations which are more than 12 months old has increased since the last report in Sept at 39, as shown in the table below.

Audit recommendations more than 12 months old						
RAG Status	June 22		Sept 22		Jan 23	
	%	Number	%	Number	%	Number
Complete	21.4%	6	0%	0	12.8%	5
Green (but not complete)	28.6%	8	41.9%	13	38.5%	15
Amber	46.4%	13	58.1%	18	48.7%	19
Red	3.6%	1	0%	0	0%	0
<b>Total</b>	<b>100%</b>	<b>28</b>	<b>100%</b>	<b>31</b>	<b>100%</b>	<b>39</b>

4.9 The graph below shows trends in status for recommendations presented to Audit & Governance Committee meetings over the period from Jan 20 - Jan 23.



4.10 Further detail on how actions have progressed from the previous report is shown in the table below.

	Sept 22	Change between reporting periods	Jan 23 - new recommendations	Jan 23 - all recommendations
Complete	5	5 removed	1	26
Green	29	13 now complete 16 still green	7	28
Amber	42	7 now complete 4 now green 31 still amber	3	40
Red	15	5 now complete 1 now green 6 now amber 3 still red	2	5
<b>Total</b>	<b>91</b>	<b>91</b>	<b>13</b>	<b>99</b>

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

- 5.1 The proposals contained in the report support the Council's Corporate Plan, ensuring that the Council remains financially sustainable in order 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.

Unique Tracker No.	Dir	Audit Title	Recommendation	Rec. Priority Rating	Original Implementation Date	Rec. Yr.	Original Audit Completion Date	Responsible Officer	Responsible Officer Latest Update	Updated on (date)	Status (% Complete)	Current status	Previous report status (Sept 22) PLEASE DO NOT AMEND
203 20/21	DoR	Bank & Cash Reconciliations	Procedure notes for the completion of reconciliations should be updated and reflect the current process.	2	11/09/2020	20/21	16/06/2020	Mark Sanders Chief Accountant	Main bank rec process clearly documented, transparent, up to date, simple to follow supporting audit trail and confidence as a result. Cash in Transit processes have been analysed and working procedures established	16 December 2022	76 or more	Green	Amber
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.	2	09/01/2021	20/21	11/08/2020	Housing system project team - Project manager Johnnie Stanley	9.1.23 delays with NEC delivering file interfaces & delays in recruiting to critical system Admin roles therefore go live pushed back to May 23 12/12/22 JS - This task is amber, the officers in Housing don't have the capacity to fully address all data issues. System admins have been hired to fulfill this task. Aimed go live of Feb 23.  OHMs migration project started, the project is addressing how to align the naming convention to GIS/Gazeteer. This will be achieved using the "address matching" module in NPS Housing. Person(s) data is also being standardised where possible.	09 January 2023	26 to 50	Amber	Amber
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/variation 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.	1	complete	20/21	15/07/2020	Mark Sanders Chief Accountant  Andy Jehan Exchequer Manager  Jonathan Hopkins AD Procurement & Contracts  Stuart Donnelly Financial Planning & Strategy Manager	CHAPS / Swiftpay are no longer used to make intercompany payments (MS/AJ)  The design principles for a new double authorisation (ensuring approval from both RBC and BFIC representative has been given) has been agreed and is being prepared for Systems Integration Testing as part of the e5 implementation programme. This will be tested in January 2023 and become part of the new e5 system functionality effective from 1/4/23. Mitigation prior to this includes close corroboration and agreement of SLA transactions and general ledger transactions between RBC and BFIC finance staff with an additional quality assurance undertaken as part of the RBC statutory accounts team.	16 December 2022	76 or more	Green	Green
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.	2	31/12/2021	20/21	02/12/2020	Clyde Masson, Principal Licensing Officer	We are reviewing our 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 have been reviewing our conditions in respect of all areas of taxi / private hire and private hire (school transport) licensing and this is going to Committee in early 2023. HC Conditions have been consulted on and are being revised taking into account reps from HC trade. Work on PH (INCLUDES School Transport) will be consulted on after the HC conditions are signed off. Revised full completion date is March 2023	19 December 2022	76 or more	Green	Green
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.	2	31/03/2021	20/21	02/12/2020	Rob Abell Consumer Protection Manager	Update 12/1/23 - 119 premises were sent the self-assessment form, of which 25 responded with full and accurate enough information (21% full response rate). The previous reference to 43 responses refers to the number of e-mail responses received in the Inspections Mailbox; A few licence holders submitted their forms and supporting documents across a number of e-mails. Of the 25 responses, 4 were from LNR, 12 were from On-Licensed and 9 were from Off-Licensed premises. Overall compliance rate was 64% which is promising, however, this is to be viewed in the context of the small number of respondents. The next step was for an officer to choose which premises the self-assessment process should apply to based on an assessment of how likely we are to get a response and that that response is compliant. The 43 responses were individually reviewed over the Christmas period to determine which premises (based on our knowledge of them, local intel and their response) needed to be prioritised for a visit and those which can remain as self-assessing. We have now selected the premises best suit this process which totals 91 premises. This figure will change as premises that have been physically inspected improve their standards and can 'be trusted' to go on the self-assessment list. Likewise, a follow-up inspection on a premises which has previously self-assessed that finds that their self-assessment was wrong or misleading can be re-prioritised for physical visits in future rounds.	12 January 2023	76 or more	Green	Green
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.	2	31/03/2021	20/21	07/12/2020	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 have informed a new allocation of 15% CIL in March 2022. Processes around the allocation of 80% CIL are now being discussed between Councillors and Finance, and this may lead to procedural changes.	09 January 2023	51 to 75	Amber	Amber
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.	1	31/03/2021	20/21	07/12/2020	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.	09 January 2023	76 or more	Green	Green
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.	2	31/03/2021	20/21	09/12/2020	Andy Jehan Exchequer Manager	The next six monthly review will take place in April to review card usage. A monthly review takes place to ensure that all cards are used correctly and returns are received on-time.	22 December 2022	Complete	Green	Amber

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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.	2	31/03/2021	20/21	09/12/2020	Jonathan Hopkins (AD of Procurement & Contracts)	In a new approach, we will review the number of cards held together with their current usage and, aligned to the implementation of the new ERP system, determine whether the use of Payment Cards aligns to Reading's approach to the efficient payment of the Council's suppliers of goods and services.	Dec-22	26 to 50	Amber	Amber
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.  The policy then needs to be formally approved, made available to all staff and included as part of induction for new starters, with regular reviews conducted to ensure compliance.  The policy also needs to be fully supported by senior management, with regular updates on progress against the policy provided to them.  Where responsibility is delegated to teams and services, there needs to be appropriate local policies/guidelines in place.	1	31/03/2021	20/21	15/01/2021	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. The Information Management Strategy has been to Policy Committee, the Information Governance team are working on taking the actions forward. Initial meeting with the Records Management centre completed and work will progress from April 2022. The Information Management Strategy and Action Plan has been signed off by Policy Committee. Next steps is to train the Information Asset Owners and recruit Information Champions across service areas to assist the IG Team with this work. Paper on this has been drafted by Nayana for CMT and is with MG for review. Paper to CMT presented. MG updated SLG on 9/9/22.	20 December 2022	26 to 50	Amber	Amber
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.  Consideration needs to be given to reviewing and rationalising records management risks at corporate and directorate level, distinguishing between strategic risks (reflected at corporate level) and operational risks (reflected at service/team level).	2	30/09/2021	20/21	15/01/2021	Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand. See comments above.	20 December 2022	26 to 50	Amber	Amber
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 addressing risks associated to records.	1	30/09/2021	20/21	15/01/2021	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.	20 December 2022	26 to 50	Amber	Amber
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.  Where possible, retention periods for records should be set on document management systems so that records are automatically destroyed once the end of this period is reached.	2	30/06/2021	20/21	15/01/2021	Nayana George, Customer Relations & Information Governance Manager	Actions have been identified and will be completed as part of the wider Information Governance project. See above comments	20 December 2022	26 to 50	Amber	Amber
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.	2	30/06/2021	20/21	15/01/2021	Nayana George, Customer Relations & Information Governance Manager	Actions have been identified - as above	20 December 2022	26 to 50	Amber	Amber
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.	2	31/03/2021	20/21	11/02/2021	Helen Tavermer	Procedure notes written for each reconciliation that set out in detail. • 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 are retained. 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	28/06/2022	76 or more	Green	Green
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 check 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.	2	31/03/2021	20/21	11/02/2021	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. Reconciliation to be moved to Share point in September 22 and a workflow process will be set up to send spreadsheet to Approvers for digital signatures. Reconciliation sheets have been moved to Share Point. A Workflow process still needs to be set up.	12 January 2023	76 or more	Green	Green
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.			21/22	06/04/2021	Zelda Wolfe Assistant Director of Housing	Service Charge Review programmed to be carried out in 22/23. 13/9/22 Review underway with progress being monitored at the Housing Project Board. Draft options paper to be completed by the end of Oct 22 9.1.23 Options paper presented to HCMT however due to cost of living crisis rents & services charges to be increased by 7% as per central government and to be re visited at next financial year	09 January 2023	Complete	Green	Green

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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.	2	30/07/2021	21/22	09/04/2021	Jonathan Hopkins (AD of Procurement & Contracts)	Significant progress has been made in mapping new processes and we are updating intranet and about to start communicating changes.	Dec-22	76 or more	Green	Green
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).  Consideration should also be given to agreeing and documenting a business process specifically detailing who should review and authorise Journals in the Council's ledger that are raised by Brighter Futures staff.	2	30/06/2021	21/22	01/06/2021	Stuart Donnelly Financial Planning & Strategy Manager  Jenny Bruce Financial Systems Manager	A new key process has been agreed and is currently being built as part of the e5 implementation that would enable a double authorisation of intercompany transactions (both an RBC approved and a BFIC approver must approve before a journal transaction is authorised) and this will also ensure both an equal and opposite entry is made in each of the RBC or BFIC general ledger. This will be tested in January 2023 for implementation from 1/4/23. In the meantime to support the processes before this new system is established, the Final Accounts team has completed an Intercompany debtors/creditors analysis to support the 2019/20 and 2020/21 and 2021/22 statement of accounts and this information will be beneficial to support the implementation of this recommendation	18 December 2022	51 to 75	Amber	Amber
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.	2	30/06/2021	21/22	01/06/2021	Mark Sanders Chief Accountant	Journal transactions reports will be run to support the final accounts external audit sample testing work, and thereafter will be produced on a regular basis and reviewed by the Chief Accountant reporting exceptions and any unusual activity to the Finance Leadership Team. The current provision of transactional working papers to support the 2020/21 Statement of Accounts and evidence provided for External Audit Scrutiny has been reviewed for learning points which has been established as part of the final 2021/22 general ledger closing transactions	16 December 2022	Complete	Green	Green
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.	2	01/09/2021	21/22	24/06/2021	Chris Maddocks Strategic Transport Manager  Alyson Few Business Partner DEGNS	Joint Sharepoint site for Transport and Finance officers has been established, grant register has been completed and all of the relevant documentation has been collated and uploaded to the Sharepoint site.	15 December 2022	Complete	Green	Green
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	2	01/09/2021	21/22	24/06/2021	Chris Maddocks Strategic Transport Manager  Alyson Few Business Partner DEGNS	This is an on-going process due to the number of external grants being received at present - Finance and Transport officers review this each month as part of the regular budget monitoring process.	15 December 2022	51 to 75	Amber	Amber
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.	2	30/04/2022	21/22	01/07/2021	Sunny Mehmi Locality Manager, Adult Care	12/01/23 - Completed: We now have robust processes in place and any open APTs are monitored via the ASC Performance Board  This is monitored closely in DACHS Operations by Team Managers using reporting. Any themes identified that create barriers to this are shared via the DACHS Performance Board for discussion and resolution.  A specific report has been written identifying APTs that are open more than 4 weeks which is discussed at the Performance Board for focus.  We have now developed a reported that allows actions from ERRG to be automatically records and chased.	01/12/2023	Complete	Green	Green
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.	2	10/07/2021	21/22	01/07/2021	Melissa Wise, Deputy Director - Commissioning & Transformation  Andrew Jehan Acting Accounts Payable and Accounts Receivable Manager	Rigour around the time spent for Purchase Orders to be raised on the back of a completed APT is in place via Audits. We have assurances that this is the case as the PBST Senior Officer regularly verifies cases and their payment status. Any issues relating to delays are escalated to the DACHS Performance Board. The Personal Budget Support Team cannot raise a Purchase Order until the APT is finished as per the current MOSAIC process which is in line with Purchase to Pay principles. Further mitigation has been put in place with Business Support oversight where decisions made at the Eligibility Risk and Review group are followed through to ensure they are completed in a timely manner. This action will unlikely ever be fully closed as it is an ongoing task that will need monitoring.  The timeliness of APTs being completed sits as an Adult Social Care Operational Responsibility (see other recommendation 186 20/21) and is also being addressed.	15/09/22	76 or more	Green	Green
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.	2	31/07/2021	21/22	01/07/2021	Sunny Mehmi Locality Manager, Adult Care	The majority of outstanding reviews are now completed, with all reviews now feedback back via the Mosca System  There has been additional investment in the ASC Review Team which has increased in the number of service users being reviewed.  Timeliness of Reviews is monitored via the DACHS Performance Board.	01/12/2023	76 or more	Green	Green
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.	1	30/09/2021	21/22	01/07/2021	Claire Gavagan DACHS Strategic Business Partner	Audit Recommendations 189 20/21, 229 21/22 and 231 21/22 are linked  The work to recover outstanding prepayments has now transferred to the AP team.  A dedicated resource has been established to review the status on a case by case basis and progress recovery action. Agreements are in place for a number of Providers where the balance is being reduced each month. For all other Providers contact has been made with each Provider and agreements to recover the balance of any prepayment are being established. Balances will be cleared for each Provider based on their ability to pay. For some this will be over three months (preferred option) and for others we have a request to recover the balance over 12 months. Work is ongoing to ensure engagement is maintained with all Providers.	18 December 2022	51 to 75	Amber	Amber

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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.	1	02/08/2021	21/22	28/07/2021	Paul Neale, Engineering and Compliance Manager Amanda Burton, Property and FM Technical Team Manager Glyn Bethell FM Manager	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 GB chased 16/9/22	16/9/2022	51 to 75	Amber	Amber
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.	1	02/08/2021	21/22	28/07/2021	Paul Neale, Engineering and Compliance Manager Amanda Burton, Property and FM Technical Team Manager Glyn Bethell FM Manager	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 GB chased 16/9/22	16/9/2022	51 to 75	Amber	Amber
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.	1	02/08/2021	21/22	28/07/2021	Paul Neale, Engineering and Compliance Manager Amanda Burton, Property and FM Technical Team Manager Glyn Bethell FM Manager	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 GB chased 16/9/22	16/9/2022	51 to 75	Amber	Amber
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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.	1	02/08/2021	21/22	28/07/2021	Paul Neale, Engineering and Compliance Manager Amanda Burton, Property and FM Technical Team Manager Glyn Bethell FM Manager	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 GB chased 16/9/22	16/9/2022	51 to 75	Amber	Amber
202 20/21	DACHS	Contract Management	The contract management framework should be reviewed, re-formularised and approved on an annual basis to ensure this remains fit for purpose for ensuring compliance with Contract Procedure Rules. The purpose of this is to embed continual improvement to manage the contract or supplier delivery risk throughout the commissioning and contract lifecycles. This should include: -  •A contract management framework and Commissioning Strategy to demonstrate how the Council will manage the supply and demand risk, the quality care risk and what the role of contract management should be within adult social care.  •Contract management procedures, workflow processes, resources, risk evaluations, the monitoring and reporting approach should be produced to ensure the ASC contractual requirements deliver the specified outcomes e.g. from a risk perspective, what constitutes a successful or failed contract	1	31/12/2021  31/03/2022	21/22	09/09/2021	Lara Fromings - Head of Commissioning	Regular contract management meetings are taking place with all block contracted providers to support good commercial delivery throughout the lifecycle of the contract.  All officers have completed Foundation Level Contract Management Training.  Contract management will be on a risk based approach, with greater resource focused on higher value, business critical contracts.  The Commissioning Team are working with the Council's Contract & Procurement hub to develop documentation to support the contract management framework.  The Commissioning Service team and resource is being reviewed - timescale end of March 2023. The overview document will be shared at the DACHS Commissioning and Procurement Board in January 23.  Quality functions will move from Commissioning to the DACHS Quality and Safeguarding Team on 1st January 2023 and a detailed handover has been completed to support new Quality and Safeguarding Team to carry out this work. A new Quality Framework document is being finalised.	22nd December 2022	76 or more	Green	Amber
203 20/21	DACHS	Contract Management	An integrated contract register, and workflow/document management system should be considered to account for all contracts. This will help provide more effective, efficient, and secure contract management and monitoring platforms for monitoring all ASC contract and supplier provisions.  As a minimum, reconciliation controls against Mosaic and Fusion should be established to ensure the completeness of provider records held on the contract register, especially where the term of the provision is £5k or more.	1	31/12/2021	21/22	09/09/2021	Lara Fromings - Head of Commissioning	The DACHS Business Support Team ensure that contacts are shared and added to Intend. A review is currently taking place to identify any gaps and a plan will be put in place to address these. This will be shared with the Commissioning and Procurement Board in January 23.  Of note, it had been the intention of the Commissioning Team to recruit additional resource to support this work but unfortunately this has not yet been possible with limited interest from the recruitment market. Work with Rouleaux - an independent consultancy commissioned to work across directorates - was ceased.	22nd December 2022	51 to 75	Amber	Amber
204 20/21	DACHS	Contract Management	Internal Audit fully support the ASC review to confirm the completeness of all contract documentation, but we recommend this is completed against the core care records on Mosaic as the contract registers are incomplete.  This review could be used as the basis for confirming compliance with Public Contract Regulations.	2		21/22	09/09/2021	Lara Fromings - Head of Commissioning	Commissioned contracts are reflected on the Intend Contract Register. During the coming year all spot purchased contracts will be included on the Intend Contract Register.  Of note, it had been the intention of the Commissioning Team to recruit additional resource to support this work but unfortunately this has not yet been possible with limited interest from the recruitment market.	22nd December 2022	51 to 75	Amber	Amber
205 20/21	DACHS	Contract Management	The existing monitoring and reporting controls should be developed to provide timely and effective assurance to senior management on the status of: -  •Strategic commissioning risk, •Contractual and service delivery risk of providers, •Compliance within ASC and with providers, •The completion of contractual documentations.	2	11/10/2021  01/01/2022	21/22	09/09/2021	Lara Fromings - Head of Commissioning	A work plan is in place to support the Commissioning Team with governance structures in place, including the DACHS Commissioning & Procurement Board which has been established and will provide oversight.	22nd December 2022	76 or more	Green	Green

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210 20/21	DEGNS	Staff vehicle documentation (grey fleet)	The existing draft grey fleet policy needs to be formally and appropriately approved, launched and then made widely available across the Council. It also needs to be included within the new starters' induction process. Prior to approval, the revised policy needs to be reviewed to ensure it still meets all necessary legislation/regulation etc.  However, online managers guidance would benefit from review and updating to reflect the new process and the launch and training of the new process needs to emphasise roles and responsibilities.	1	30/11/2021	21/22	18/11/2021	Teresa Kaine HR Services Manager	The policy has now been reviewed and updated and all necessary legislation/regulatory requirements have been met. The policy has been agreed by the TUs and Personnel Committee in March 2022. The policy has been formally signed by the TUs and has been uploaded to the intranet. A communication to all managers and staff went out week beginning 4 July 2022.	10 January 2023	76 or more	Green	Green
215 20/21	DEGNS	Staff vehicle documentation (grey fleet)	There needs to be monitoring and reporting of compliance, as appropriate, once the policy has been formally agreed and implemented, with particular consideration given to having a regular report provided to senior management on grey fleet and compliance and feedback to managers on key issues also included.  Reporting capability needs to be clarified, with reports containing key information being produced in a timely and accurate manner and necessary action taken to address issues identified, including non-compliance.	2	30/11/2021	21/22	18/11/2021	Teresa Kaine HR Services Manager  Ben Morgan Resourcing Manager	Reporting capability is in place, enabling non compliance to be followed up. A communication to all managers will be sent out week beginning 19 September asking for all Grey Fleet checks to be updated before end of October. A report will then be run to check compliance.	10 January 2023	76 or more	Green	Green
216 20/21	DEGNS	Staff vehicle documentation (grey fleet)	Firmer action needs to be taken where checks have either not been undertaken or are not up to date and/or not appropriately recorded, making it clear to staff and managers alike that expenses cannot be paid without these being in place.	2	30/11/2021	21/22	18/11/2021	Teresa Kaine HR Services Manager	The policy makes line manager responsibilities very clear. Where checks have not been undertaken or are not up to date the matter will be escalated through the management line.	10 January 2023	76 or more	Green	Green
220 20/21	DEGNS	Housing Allocation Scheme	Housing Needs should ensure that there are clear audit trails for the shortlisting and viewings/offers processes. Shortlists should be closed down correctly and in a timely manner on Locata after shortlisting is completed to provide an accurate audit trail, evidence of banding documented/retained and a copy of the short list (with any relevant annotations) retained as part of the audit trail. There should also be clear evidence of successful applicants being invited to attended property viewings and an audit trail that shows when properties were viewed and offers made and accepted.  There should also be evidence that letters have not been sent to successful bidders with a formal offer until all required information has been received and verified	2	between 31/2/22 - 30/9/22	21/22	29/11/2021	Gemma Northway Voids & Lettings Team Manager	Following further investigation on this point, management have spoken to the Officers to ensure that they are aware of the impact of closing the shortlists in a timely manner, however we are reliant on information being shared by our Registered Provider partners to ensure this is completed fully. Processes have been updated to reflect this point to ensure that there is a clear audit trail. Some of this concern is a result of our current system which we are unable to modify. A new system is due to be implemented in October 2022 and this point has been carefully considered to ensure it is not a problem replicated in the new system.  23/06 New system going live mid November 2022.  08/09 Same as above  12/12 New system going live end February 2023	12 December 2022	51 to 75	Amber	Amber
221 20/21	DACHS	Adult Provider Payments	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. 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.	2	31/03/2022	21/22	13/01/2022	Darren Carter Director of Finance  Melissa Wise Deputy Director for Adult Social Care	A clear process to meet requirements was developed with support from the Project Management Officer and implemented in March 2022. The process was reviewed and agreed by the Directorate Management Team and the Head of Internal Audit.  This process has now been implemented for inflationary uplifts during 2022/23 and there is a clear record of the checks and approvals that have been carried out.  The process was reviewed in November 2022 (with audit oversight). This review was built into the implementation plan and has provided an opportunity to identify and resolve any issues with the process. The Commissioning Team is now working with the PMO to resolve and further improve and refine the process and reduce the need for any manual changes arising from the Mosaic set up.	22 December 2022	Complete	Green	Green
229 21/22	DACHS	Adult Provider Payments	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.	2	28/02/2022	21/22	13/01/2022	Claire Gavan DACHS Strategic Business Partner	Audit Recommendations 189 20/21, 229 21/22 and 231 21/22 are linked  The work to recover outstanding prepayments has now transferred to the AP team.  A dedicated resource has been established to review the status on a case by case basis and progress recovery action. Agreements are in place for a number of Providers where the balance is being reduced each month. For all other Providers contact has been made with each Provider and agreements to recover the balance of any prepayment are being established. Balances will be cleared for each Provider based on their ability to pay. For some this will be over three months (preferred option) and for others we have a request to recover the balance over 12 months. Work is ongoing to ensure engagement is maintained with all Providers.	18 December 2022	51 to 75	Amber	Amber
230 21/22	DACHS	Adult Provider Payments	Correct invoices should be attached in all cases to the relevant transactions in Oracle Fusion as supporting evidence.	2	31/03/2022	21/22	13/01/2022	Andy Jehan Exchequer Manager	AP staff are ensuring that all new invoices are attached promptly once the invoices have been interfaced from Mosaic to Fusion. There was a backlog of old invoices that needed the attachments and this work has now been completed.	22 December 2022	Complete	Green	Green
231 21/22	DACHS	Adult Provider Payments	There should be consistent and appropriate treatment of offsetting provider invoices against prepayments including coding to the appropriate accounts.	2	28/02/2022	21/22	13/01/2022	Claire Gavan DACHS Strategic Business Partner	Audit Recommendations 189 20/21, 229 21/22 and 231 21/22 are linked  The work to recover outstanding prepayments has now transferred to the AP team.  A dedicated resource has been established to review the status on a case by case basis and progress recovery action. Agreements are in place for a number of Providers where the balance is being reduced each month. For all other Providers contact has been made with each Provider and agreements to recover the balance of any prepayment are being established. Balances will be cleared for each Provider based on their ability to pay. For some this will be over three months (preferred option) and for others we have a request to recover the balance over 12 months. Work is ongoing to ensure engagement is maintained with all Providers.	18 December 2022	51 to 75	Amber	Amber
233 21/22	DACHS	Adult Provider Payments	Automatic, system-generated remittance advice slips need to be reinstated for all payments to providers to ensure clarity around payments made.	1	31/01/2022	21/22	13/01/2022	Darren Carter Director of Finance  Claire Gavan Strategic Business Partner	Officers have been working with the Council's IT Providers to find a technical solution for generating remittance advices.  Unfortunately, it is not possible for remittances featuring full payment details to be emailed directly from the Council's social care system due to the specific IT infrastructure configuration and the data controls that are available. In mitigation, payment remittances are generated from the Council's finance system with further information available manually upon request but this does mean an increase in the amount of queried the AP team manages.	18 December 2022	Complete	Green	Red

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234 21/22	DACHS	Adult Provider Payments	The ASC Scheme of Delegation needs to be formally updated, documented, approved and made available to those who require it and followed.	1	30/04/2022	21/22	13/01/2022	Darren Carter Director of Finance  Seona Douglas Executive Director for Health & Social Care	An interim communication has been circulated to all Officers clarifying the Financial Controls in Adult Social Care and expectation around authorisations. This is stored in the DACHS policies and procedures SharePoint Site and adherence is checked via the performance board.  A revised Scheme of Delegation for DACHS has been prepared for discussion with wider stakeholders and alignment with the Council's Constitution which is separately being reviewed.	22 December 2022	51 to 75	Amber	Amber
235 21/22	DACHS	Adult Provider Payments	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.	2	31/01/2022	21/22	13/01/2022	Joanne Lappin Assistant Director, Safeguarding, Quality, Performance & Practice	There is an existing Performance Framework	12 January 2023	Complete	Green	Green
236 21/22	DACHS	Adult Provider Payments	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.	2	31/03/2022	21/22	13/01/2022	Joanne Lappin Assistant Director Operations and Safeguarding, Quality, Performance and Practice	A weekly ASC Performance Report is being sent to all Managers in ASC for review and action as appropriate. Performance against expected standards is monitored at each Monthly Performance Board attended by all managers.	12 January 2023	Complete	Green	Green
237 21/22	DACHS	Adult Provider Payments	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.	2	31/03/2022	21/22	13/01/2022	Joanne Lappin Assistant Director of Safeguarding Quality Performance and Practice	Weekly data is provided to Operational Managers to enable them to review data quality and ensure management oversight. The Performance Board is responsible for a monthly view of data quality to ensure consistency of reviewing and monitoring. Weekly data includes safeguarding and DoLS.	12 January 2023	Complete	Green	Green
241 21/22	DACHS	Adult Provider Payments	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.	2	31/03/2022	21/22	13/01/2022	Sunny Mehmi Assistant Director of Operations  Social Care Systems Manager	All team now have standard operating procedures which include the requirements on the use of mosaic and have been passed to staff.  The MOSAIC training offer has been revised to provide a combination of classroom based and online training. For all new starters a classroom offer will be available to properly induct people into MOSAIC. The content of the training offer has also been revised to look at 'bite size' training options for specific subjects that create issues.  There is now a Workforce Development Group in place which also considers the wider training requirements of the staffing group.	01/12/2023	76 or more	Green	Green
242 21/22	DACHS	Adult Provider Payments	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.	1	30/06/2022	21/22	13/01/2022	Sunny Mehmi Assistant Director of Operations  Social Care Systems Manager	Mosaic access is largely permissions based according to the job role that the user has. This has been reviewed to ensure it is fit for purpose.  We will be undertaking case audits as part of our quality improvements and in addition Data Quality will be one of the priority areas of the Performance Board.  Additional resources have been bought in in Jan-Mar 2023 to review the data quality and resolve any issues	01/12/2023	76 or more	Green	Green
243 21/22	DACHS	Late Payment of Voluntary Sector Grants	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.	2	31/03/2022	21/22	17/01/2022	Melissa Wise Deputy Director of Social Care  Darren Carter Director of Finance  Lara Fromings Head of Commissioning	Accounts Payable and the Personal Budget Support Team (Commissioning) are meeting on a regular basis (every 4-6 weeks) to address outstanding issues and ensure any issues on the Error Log are being addressed in a timely way. This meeting includes specific provider issues, team pressures, areas for escalation and communication to providers.	22nd December 2022	Complete	Green	Green
244 21/22	DACHS	Late Payment of Voluntary Sector Grants	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.	2	31/03/2022	21/22	17/01/2022	Melissa Wise Deputy Director of Social Care  Darren Carter Director of Finance	Accounts Payable and the Personal Budget Support Team (Commissioning) are meeting on a regular basis (every 4-6 weeks) to address outstanding issues and ensure any issues on the Error Log are being addressed in a timely way. This meeting includes specific provider issues, team pressures, areas for escalation and communication to providers.	23rd December 2022	Complete	Green	Green
245 21/22	DEGNS	Climate Change Strategy	It would be useful if the Corporate (Carbon) Plan listed the Council's delivery actions is detailed in the strategy. We advise the plan: - a)Be laid out and references in the same format as the Strategy. b)Confirms the directorates and services responsible and provides brief details of their actions from their service plans to achieve this. c)Reaffirms details of the delivery contribution i.e. emission reduction, adaptation, or both.	2	30/09/2022	21/22	17/02/2022	Ben Burfoot Sustainability Manager  Kirstin Coley Energy Management Officer	This action is complete - an expanded version of the Carbon Plan has been produced in the format suggested by the audit, in particular allocating responsibility to individual teams and officers for individual carbon plan actions. To further embed Carbon Plan actions in the work of services, a guidance note has been circulated to all ADs on 'Integrating climate action in Service Plans' (December 2022) and a specific communication sent to AD's whose services are identified as delivery partners in the Carbon Plan (also December 2022) with details of those actions which should be incorporated within their Service Plans.	19 December 2022	Complete	Green	Amber
246 21/22	DEGNS	Climate Change Strategy	A Corporate Adaptation Plan is required, which we understand will require an organisational-wide exercise, and that services will need to identify potential impacts on communities, services and service users, and appropriate adaptive responses, with help and advice from appropriate internal and external experts. This should confirm whether these actions relate to corporate infrastructure for delivering services and those for managing the consequences i.e. this might include business continuity, resilience etc.	2	31/12/2022	21/22	17/02/2022	Peter Moore Head of Climate Strategy	Discussed and agreed at Climate Programme Board 8 March 2022, using approach set out in Local Partnerships adaptation toolkit for local authorities. Presentation to Team Talk initiated the process in May 2022. Drafting and engagement with Services underway. Substantial piece of work - target completion date Q3-4 2022/23.	19 December 2022	26 to 50	Amber	Amber

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248 21/22	DEGNS	Climate Change Strategy	To develop a more systematic approach to delivering the Council's climate change commitments: (i)The ownership of individual RBC actions within the Climate Strategy should be clarified at service/officer level (ii)RBC commitments within the Climate Strategy should be reflected within Service Plans at both the strategic level and in terms of specific actions (iii)In addition to integrating relevant Climate Strategy commitments, in the process of refreshing Service Plans annually, services should be identifying, with the support of the Climate Change & Sustainability Team, additional actions which may be required to contribute to the Council's corporate emissions reduction and adaptation strategies, and giving these an appropriate level of priority (iv)Services may need additional training to become more 'climate literate' and a training package should be developed to support this (v)Adapt the Service Plans to ensure there is a golden thread to demonstrating how services will discharge their climate change responsibilities.	2	30/09/2022	21/22	17/02/2022	Peter Moore, Head of Climate Strategy  Ben Burfoot  Relevant Ads	Discussed and agreed at Climate Programme Board on 8 March 2022. Point (i) complete and signed off by Climate Programme Board 13/9/2022; points (ii, iii, v) PM circulated a guidance note for ADs on embedding climate action in Service Plans in Feb 2022 which signposted to Climate Emergency Strategy actions. PM/BB have attended Service Plan meetings with each Service to initiative discussion, but fully embedding climate action will be an iterative process. To this end the guidance note was updated and re-circulated in December 2022 for the 2023/24 Service Planning round with relevant extracts of Climate Strategy actions for which they have responsibility sent to each service so that these can be integrated in Service Plans. Point (iv) training package in preparation - Climate change now integrated in corporate staff induction as a first step, further work needed to develop more comprehensive training offer.	19 December 2022	51 to 75	Amber	Amber
249 21/22	BFFC and RBC joint audit	Intercompany accounting	The Director of Finance (RBC) should ensure the agreed Governance documents (policies) are enhanced to include, but not be limited to:  •Outlining the high-level expectations of intercompany accounting •Treatment of VAT •Debtors •Creditors Payment for services provided outside of those in the contract •Apportionment  Best practice requires a common standard across all entities.	2	30/04/2022	21/22	14/03/2022	Stuart Donnelly Financial Planning & Strategy Manager RBC  Steve Davies Strategic Finance Business Partner BFFC	The inter-company guidance / policy set up by RBC will be developed to incorporate:  •Outlining the high-level expectations of intercompany accounting •Treatment of VAT •Debtors •Creditors •Apportionment •Payment for services provided outside of those in the contract  This will ensure best practice and a common understanding is clearly understood across RBC and BFFC.  Once completed to be formally signed off by the Director of Finance (RBC) and the Director of Finance, BFFC. This work has occurred during October to December 2022 which has led to a new intercompany transactions designed being built as part of the e5 implementation which will be tested during January 2023 by RBC and BFFC finance staff	18 December 2022	51 to 75	Amber	Red
250 21/22	BFFC and RBC joint audit	Intercompany accounting	The Director of Finance (RBC) and Executive Director of Finance and Resources (BFFC) need to provide a briefing on the Service Contract, to raise awareness and guidance to those Business Partners and accounting staff with inter-company accounting responsibilities, on what is required of them to comply with the conditions of the contract.  Allocation of responsibilities should be highlighted across both entities.  Furthermore, there should be some consideration in providing this briefing as a joint briefing across both entities to promote a collaborative, supportive, and professional working relationship with a single aim.	1	30/06/2022	21/22	14/03/2022	Darren Carter Director of Finance	Whilst processes are being refreshed during 22/23 in line with the Finance Improvement Programme and taking on board advice on best practice as identified through the External Audit process of the 2019/20 and 2020/21 Statement of Accounts, this action is pending recruitment to strengthen the corporate business partner team. In the meantime, enhanced operating procedures have been put in place with RBC and BFFC finance staff meeting regularly to agree intercompany debtors and creditors.	18 December 2022	51 to 75	Amber	Amber
251 21/22	BFFC and RBC joint audit	Intercompany accounting	The (RBC) Director of Finance in collaboration with (BFFC) Executive Director of Finance and Resources should develop agreed and documented systems, procedures, and processes to further improve and manage intercompany accounting and transactions. They should include, but not be limited to:  •Being able to easily identify transactions across a common chart of accounts •To match transactions, from both sides •Identify (tag) those for elimination from financial reporting to prevent double accounting •Automate processes where possible •The use of recurring invoices/installment payments for contract / SLA payments •Billing cut off period •Electronic approval process (Office 365) •Centralised repository (SharePoint) for intercompany financial purposes accessible by both entities and managed by permission rules •Grant funding monitoring (at both entities) •Regular reconciliations of expected income streams •Appropriate lines of communication with documented terms of reference and purpose  These procedures and processes should be standardised, and where there is a business need for difference, there should be compatibility.	1	31/10/2022	21/22	14/03/2022	Stuart Donnelly Financial Planning & Strategy Manager RBC  Steve Davies Strategic Finance Business Partner BFFC	The (RBC) Director of Finance in collaboration with (BFFC) Executive Director of Finance and Resources will develop agreed and documented systems, procedures and processes. This is being progressed firstly in the design work for the implementation of the new e5 finance system - then complimentary off system procedures will be documented thereafter.  During the new finance systems implementation the following will be implemented:  •Being able to easily identify transactions across a common chart of accounts •To match transactions, from both sides •Identify (tag) those for elimination from financial reporting to prevent double accounting •Automate processes where possible •The use of recurring invoices/installment payments for contract / SLA payments •Billing cut off period •Electronic approval process (Office 365) •Centralised repository (SharePoint) for intercompany financial purposes accessible by both entities and managed by permission rules •Grant funding monitoring (at both entities) •Regular reconciliations of expected income streams •Appropriate lines of communication with documented terms of reference and purpose	18 December 2022	26 to 50	Amber	Red
252 21/22	BFFC and RBC joint audit	Intercompany accounting	The finance structure for intercompany accounting and day to day activities should be considered, documented, authorised and agreed and shared, and aligned with strategy and policies, that also promote professional and cooperative ways of working.  Roles and responsibilities need to be agreed, documented, and imparted to all relevant personnel.  Some consideration should also be given to: •The adoption of a single finance team for intercompany accounting actions supported by entity specific finance teams for the day to day financial tasks. •Shared repository for key data with appropriate permissions •Electronic authorisation process	2	31/10/2022	21/22	14/03/2022	Stuart Donnelly Financial Planning & Strategy Manager RBC  Steve Davies Strategic Finance Business Partner BFFC	Currently there are named officers from RBC and BFFC who have clarity on their roles and responsibilities with appropriate permissions and electronic authorisation.  The policy / guidance and work processes are being reviewed as part of the design of the new finance system which will further clarify the roles and responsibilities.  The adoption of a single finance team for intercompany accounting actions supported by entity specific finance teams for the day to day financial tasks is not appropriate within the current arrangements. A mitigation control enabling a double authorisation for every intercompany transaction is being established as part of e5 system implementation	18 December 2022	26 to 50	Amber	Red
253 21/22	BFFC and RBC joint audit	Intercompany accounting	The Director of Finance (RBC) and the Executive Director of Finance and Resources (BFFC) should remind staff to comply with timescales detailed in the agreed procedures and ensure there are controls in place that will highlight if / when there is non-conformance.  Consideration should be given to including intercompany- tasks and responsibilities within the annual performance review goals / targets for relevant staff.	2	30/10/2022	21/22	14/03/2022	Stuart Donnelly Financial Planning & Strategy Manager RBC  Steve Davies Strategic Finance Business Partner BFFC	This will be re-iterated during the communication to staff and reinforced in the guidance / policy guidance.	18 December 2022	25 or less	Red	Red

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254 21/22	BFFC and RBC joint audit	Intercompany accounting	The Director of Finance (RBC) and the Executive Director of Finance and Resources (BFFC) need to establish coordinated monthly reconciliations, which should be compared for accuracy. Any anomalies should be investigated, agreed and adjustments made in a timely fashion.  Responsibility for completing reconciliations should be allocated to an appropriate individual and include authorisation for any necessary adjustments.	2	30/06/2022	21/22	14/03/2022	Stuart Donnelly Financial Planning & Strategy Manager RBC  Steve Davies Strategic Finance Business Partner BFFC	Initially it is proposed to do quarterly reconciliations and to be reviewed at a later date. This is being reviewed and will take on board the position as the Intercompany Reconciliations for 2020/21 and 2021/22 are now complete.	18 December 2022	51 to 75	Amber	Red
255 22/23	DoR	Accounts Receivable	There needs to be a relaunch of the existing debt policy to ensure clear strategic management around debt creation and recovery across the council. This would include clear reporting lines at senior management level across all levels of the council to enable greater awareness across all areas of the importance of debt avoidance where possible and prompt greater effort on debt recovery.	2	01/10/2022	21/22	30/05/2022	Sam Wills Revenues & Benefits Manager	This is occurring organically in some areas as a result of the focussed activity of debt collection, i.e. ASC & DEGNS.  It does however require a relaunch to bring all directorates on board and understand their role in the corporate process to reduce debt occurring.  Consideration will be given to aligning communication of the Corporate Debt Policy with the implementation and training of the new Finance system. Consideration is also being given to inclusion of the Policy in budget holder training.	19/12/2022	25 or less	Red	Red
256 22/23	DoR	Accounts Receivable	There needs to be clear and accountable processes and procedures for debt management that are linked to a council wide debt recovery strategy.	2	01/08/2022	21/22	30/05/2022	Sam Wills Revenues & Benefits Manager	Process mapping sessions have commenced with Revs & Bens Manager, AR Team Leader and AR Officers. These sessions will embed the corporate debt recovery policy and in addition document the processes and reporting we expect to be undertaken by an AR Officer.  Process maps will be held electronically with hyperlinks to the relevant process and templates.  The team recognise the variances between ASC and Sundry debt collection and 2 process streams will	19/12/2022	51 to 75	Amber	Amber
257 22/23	DoR	Accounts Receivable	Further work is required to reduce the overall historic debt levels, particularly in adult social care. There needs to be a write off of existing historical debt where recovery is deemed unlikely before any data is transferred across to a new debtors system.	2	01/10/2022	21/22	30/05/2022	Sam Wills Revenues & Benefits Manager	Fortnightly meetings in respect of ASC write offs are currently held and have been in place for several months. The group focus on identifying uncollectable sums and actively progress them through the write off process.  Sums below £20,000 are agreed in the meeting and subsequently approved by Darren Carter (s.151).  High value write offs are scheduled for Policy Committee approval as a standing quarterly agenda item.  Revs & Bens Manager also attends meetings with other directorates to progress and agree write offs in those areas.  A data cleansing exercise is also in progress ahead of the migration to a new system and will be supported through additional resource agreed through delivery fund bid.	19/12/2022	51 to 75	Amber	Amber
258 22/23	DoR	Accounts Receivable	To back up the debt strategy there needs to be a comprehensive easy to access set of management reports that are capable of reflecting the determined debt strategy at all levels of the debt process (ie cost centre manager to AD level as well as the Debtors team)	2	01/10/2022	21/22	30/05/2022	Sam Wills Revenues & Benefits Manager  Advanced System Team	We are currently limited on the reporting available through Fusion.  We have to consider time spent developing further reporting in a system that is to be replaced in the near future.  An extensive list of KPIs have been provided to the Advanced project manager to ensure this capability is built into the new system.	19/12/2022	25 or less	Red	Red
261 22/23	DoR	Reconciliations	Assuming it remains the objective, a timetable should be devised and agreed to support the intention for the Reconciliation Officer to understand, improve (where necessary) and take over feeder system reconciliations. Similarly, it is suggested that this monitored by the Finance Transformation Board (or equivalent).	2	30/09/2022	21/22	31/05/2022	Mark Sanders, Chief Accountant	All reconciliations are included on a Dashboard tracker reported monthly to the Finance Transformation board. This includes a RAG status for all reconciliations that have been completed by the corporate team and lists the latest position where they are completed outside of the central team. The Transformation Board is able to comment / manage and changes to where reconciliations are best performed across RBC. The Central team have recently investigated processes that transact through the Cardnet service and will continue to investigate any area where improvements can be made. This is now an embedded business process which is measurable and open to challenge from stakeholders and as such this recommendation is considered complete.	16 December 2022	Complete	Green	Amber
263 22/23	DoR	Reconciliations	Following completion of those actions detailed in recommendation 3 above in respect of the main bank rec, this process should be repeated for the feeder systems and responsibility for this task clearly assigned. These procedures should reflect agreed processes, roles and responsibilities etc and be as sufficiently detailed as is assessed as necessary. These agreed and completed documented procedures should then be agreed by the relevant service manager and also by Finance and then circulated to all relevant staff and stored in an appropriate site and be used for reference and training purposes, as appropriate.	2	31/03/2023	21/22	31/03/2022	Mark Sanders, Chief Accountant	A standard template has been produced and rolled out across all reconciliations completed. Further work is being undertaken to improve reconciliations performed outside of the central team - this work will continue and the outcome of these reconciliations are included in the monthly dashboard reports to the Finance Transformation Board. As this is now an embedded process, will a recurrent work task continually to investigate and make improvements in controls this recommendation has been market as complete	16 December 2022	Complete	Green	Amber
264 22/23	DoR	Reconciliations	Any revised guidance as laid down in the procure notes for the main bank reconciliation (or other feeder reconciliations) should address what (other) system access rights the officer(s) involved should have, to ensure there is proper separation of duties in place, that ensures and promotes good separation of duties.	2	31/03/2023	21/22	31/03/2022	Mark Sanders, Chief Accountant	Separation of duties is in place for the Council's main bank reconciliation processes. A standard template has been established for use with feeder system reconciliations which will record identification of a preparer and authoriser for all reconciliations which enables appropriate feeder owners to evidence segregation of duties which would included consideration of other systems those staff might have access to.	16 December 2022	Complete	Green	Red
265 22/23	DoR	Reconciliations	To promote increased resilience and mitigation of risks associated with being potential over reliant on specific posts carrying out financial reconciliations, it is recommended that to manage risks and to protect the organisation and individual officer(s) alike, that agreed systems ensure and allow for a shared understanding of procedures by than more than a single person.	2	31/12/2022	21/22	31/12/2022	Mark Sanders, Chief Accountant	The reconciliations team comprises a senior accountant and reconciliations officer who work together on processes and investigate areas of concern. Knowledge and skills are interchanged between them to mitigate against single points of reliance with key procedure notes established. This has been established over the course of the last six months following staff appointments and now considered complete.	16 December 2022	Complete	Green	Red
266 22/23	DoR	Reconciliations	Where the Reconciliations Officer and / or Bank Rec Team detect regular and continued problems with specific information being reported as part of any reconciliation process (for example incorrect posting information) then these should be referred back to the team / officer concerned for correction, but in the event of repeated and persistent instances, then this should be referred to the Chief Accountant for their attention.	2	31/05/2022	21/22	31/05/2022	Mark Sanders, Chief Accountant	A review has been completed across all central accountancy reconciliation processes and resources to better align responsibilities and aim to reduce single points of reliance.	16 December 2022	Complete	Green	Red

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267 22/23	DACHS	Client Contributions	Actions that ASC staff need to take in relation to the financial assessment process: 1) Relevant ASC staff need to be reminded of their role within/related to the financial assessment process. 2) Care packages need to be put onto Mosaic in a timely manner to allow client contributions to be recognised and then invoiced to the service user. 3) Direct payments need to be reviewed to ensure appropriate payment arrangements are in place. 4) Mosaic records need to detail the appropriate financial representative for the service user, where appropriate, as well as other key information to enable financial assessments to be completed and in a timely manner. There should also be appropriate authority in place for these representatives which should be documented/evidenced. 5) APTs need to be closed down and in a timely manner to enable amendments to be made to service lines, as appropriate. 6) A financial assessment referral needs to be raised and in a timely manner to ensure all service users are assessed for their ability to contribute to their care costs (where applicable).	1	30/09/2022	21/22	17/06/2022	Michelle Tenreiro-Perez Transformation Project Manager  Cliff Clynh, Senior Personal Budget Support Officer	Update on each action as follows: 1) Complete - this is already in place. Workshops were held with all staff involved in the financial assessment process between October 2021 and March 2022 establishing expectations of roles and responsibilities within the financial assessment process. 2) In progress - Collaborative work with ASC, the Finance Assessments and Benefits Team and Personal Budgets Support Team has commenced and a concluding meeting to clarify expectations of roles, processes and timescales to be undertaken by all parties was held on the 15th of June. Identified process changes were proposed at Operational Portfolio Board on 12/09/2023 and agreed subject to some clarifications. Process changes were expected to commence in January 2023 and be supported by Delivery Fund monies used to increase resources. Delivery Fund approval was delayed meaning the deadline for this work is now April 2023. 3) Complete - Officers have reviewed Direct Payments clients where they are invoiced for their contributions & all are appropriate as they also receive a commissioned service. 4) In progress - Mosaic records will need to be set up for financial representatives to record their status and so a standardised letter can be sent out. Appointments in the Deputy's Team are to be relaunched in Q1 2023/24. Standard letters and process changes were proposed at Operational Portfolio Board on 12/09/2023 and agreed subject to some clarifications. Process changes are expected to commence in April 2023 due to a delay in Delivery Fund approval. 5) & 6) In progress - Both the closure of Conversation 2s and timely referrals for a financial assessment are included in the work between ASC, FAB and PBST setting out expectations of roles and timely processes. A guide to making referrals to the Financial Assessments and Benefits team has been created and will be added to relevant staff desktops. ICT work to support agreed processes will be completed. Identified process changes were proposed at Operational Portfolio Board on 12/09/2023 and agreed subject to some clarifications. Process changes are expected to commence in April 2023 due to a delay in Delivery Fund approval.	16/12/2022	51 to 75	Amber	Amber
268 22/23	DACHS	Client Contributions	Signed legal agreements to support all 3rd party top ups in place, should be on Mosaic and the Mosaic workstep updated to reflect current practice.  The identified discrepancy in one case in relation to top up amount needs to be resolved (see 4.2.15 below).  Invoicing for 3rd party top ups needs to be to the correct person and there needs to be appropriate debt controls in place to ensure that top ups are actually (being) paid, and in a timely manner.	2	30/10/2022	21/22	17/06/2022	Steve Saunders Principal Personal Budget Support Officer  Tracey Maskell, Senior Entitlement & Assessment Officer	In progress - part complete. Cases involving one person are completed in Mosaic, complex cases with multiple people are completed on a word template as the current Mosaic template is insufficient for these. Officers to ensure the Mosaic template to be amended to resolve this issue.  Complete - this is already in place. The case with a discrepancy has been reviewed and the need to follow agreed process has been reiterated to the teams involved.  In progress - Work is underway with the Mosaic & Oracle Fusion teams to separate 3rd party top ups to ensure invoices are sent to the correct person. Use of separate codes will create greater visibility for improved debt controls.	16 December 2022	51 to 75	Amber	Amber
269 22/23	DACHS	Client Contributions	It needs to be ensured that invoices have sufficient detail on them to allow service users/their representatives to identify which service they relate to and for what period.  FAB Team (and PBST) need to be involved and input into the wider process of implementing the interface between Mosaic and new financial system.	2	31/07/2022	21/22	17/06/2022	Tracy Maskell, Senior Entitlement & Assessment Officer  Steve Saunders, Principal Personal Budgets Officer	Officers to implement separate budget codes for Interim funding, Deferred Payments & 3rd party top ups will be utilised to define the detail on invoices.  Complete - this is already in place. Bi-weekly project management meetings being attended. Work ongoing with the project team to substantiate which requirements are, & which aren't going to be available for go live.	16 December 2022	76 or more	Green	Green
271 22/23	DACHS	Deferred Payment	The success and failure of the deferred payment scheme, policy, and procedures operated by the Council should be benchmarked and evaluated.	1	August 2022 - March 2023	22/23	11/07/2022	Sarah Stockle Technical Policy Officer	DPA monitoring continues within regular debt monitoring meetings. Refreshed internal processes are embedding, and further details have been added to documented internal process alongside DPA workshop/training sessions with financial assessments and benefits officers dealing with DPAs to support this.  NAFAO benchmarking exercise has been collected and circulated we will compare our scheme numbers with comparators in Jan-March	21/12/2022	51 to 75	Amber	Amber
272 22/23	DACHS	Deferred Payment	Feedback should be sought from the Eligibility Risk Review Group and used to identify those restricting factors which delay or complicate the approval of the deferred payment agreement and more widespread adoption of deferred payments as an option e.g., are social workers identifying and engaging on issues?	2	Aug-22	22/23	11/07/2022	Steve Saunders Principal Personal Budget Support Officer	The Eligibility, Risk and Review Group discussed and found no restricting factors to the overall adoption of deferred payments.	14/12/2022	Complete	Green	Red
273 22/23	DACHS	Deferred Payment	The operational performance of services supporting the deferred payment scheme should be evaluated through a service level agreement e.g., Social Workers, FAB team, and Legal Services.	2	Dec-22	22/23	11/07/2022	Sarah Stockle Technical Policy Officer DACHS DMT / CMT decision	Work is taking place to set out service requirements to share with senior management teams involved in supporting the DPA scheme.  This work links to work going on under 271 22/23, which would then form the basis of a proposed service level agreement across services involved with the DPA scheme.	21/12/2022	26 to 50	Amber	Red
274 22/23	DACHS	Deferred Payment	To confirm the completeness of records and confirm the assurance status of the assets to be used as security for a loan, a single master register should be established to clarify those people with existing DPAs and the status of their interim funding arrangements, deferred payments, or solicitors undertaking.	2	Sep-22	22/23	11/07/2022	Sarah Stockle Technical Policy Officer	DPA register has been established (based on Mosaic workflow step report with key data fields manually added in).  A report specification has been drafted for Mosaic and will be submitted to our performance team in early 2023 (so that it will be more efficient to maintain and update).	21/12/2022	76 or more	Green	Red
275 22/23	DACHS	Deferred Payment	This information should be used to help identify DPA debt and status of security, and visa-versa.	2	Sep-22	22/23	11/07/2022	Sarah Stockle Technical Policy Officer	As above, and work continues on identifying what information can be obtained from IKEN to support the DPA requests monitoring.	21/12/2022	51 to 75	Amber	Red
276 22/23	DACHS	Deferred Payment	More care needs to be taken to ensure accurate and up to date supporting records are kept as part of any DPA case, including better documentary evidence and filing of solicitor arrangements.	2	Aug-22	22/23	11/07/2022	Tracey Maskell Senior Entitlement & Assessment Officer	This is being achieved by extending the prefixing on Mosaic attached documents by FAB team to identify DPAs: 'FAB CH DPA ...', uploading property valuations including web searches to attached documents on Mosaic and use of Mosaic case notes to indicate dates security obtained.	16/12/2022	Complete	Green	Amber
277 22/23	DACHS	Deferred Payment	As confirmation, a signed copy of the deferred payment agreements, HM Land Registry charge evidence, and/or solicitor's undertaking should be required and documented as a key control /field on Mosaic.	2	Sep-22	22/23	11/07/2022	Sarah Stockle Technical Policy Officer	Internal process documentation was updated in September to include this flow of information between services (signed DPA copy, Land Registry entry copy, etc) and training took place during a team DPA workshop on 6 October on how to record (reference) those documents on Mosaic so that they can be easily located/identified.	21/12/2022	Complete	Green	Green
278 22/23	DACHS	Deferred Payment	A copy of the estate agent's property valuation should be held on Mosaic for each DPA, and a revaluation should be completed annually to ensure the equity available is appropriate so that the level of debt is correctly accounted for.	2	Aug-22	22/23	11/07/2022	Tracey Maskell Senior Entitlement & Assessment Officer	Annual re-evaluations are being secured for all life-time DPAs. Also, ad hoc re-evaluations are completed dependant on changes in circumstance.	16/12/2022	Complete	Green	Amber
279 22/23	DACHS	Deferred Payment	Greater emphasis needs to be placed on monitoring the security status and debt risk of those deferred payment agreements which remain as an interim funding arrangement.	2	Aug-22	22/23	11/07/2022	Tracey Maskell Senior Entitlement & Assessment Officer	Interim Funding arrangements: FAB officers contact the representative of the arrangement at least every three months for update on progress towards more permanent funding arrangement and feed that into the FAB team member attending monthly debt monitoring meetings.	16/12/2022	Complete	Green	Amber

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280 22/23	DEGNS	Rent Accounting	HFR tenants must be notified of rent increases and evidence retained centrally in all cases.	2	31/08/2022	22/23	18/08/2022	Ashley Blackwood (HFR) Senior Property Manager - HFR	13.9.22: Database created and stored in share point to record date all address, current rents, date of rent increase, increased rent and detail of CPI at the time of increase plus reason for cap and confirmation of approval of this decision by service manager . Rent increase letters templates to be created by 31.10.22in @W so these can be stored automatically against the tenancy , Rent increase letter created in @W	Jan 2023	Complete	Green	Green
281 22/23	DEGNS	Rent Accounting	Users should not be able to access or work on any rent accounts in which they have an interest. It is recommended that users are required to declare interests on a regular (i.e., annual) basis. Declaration of interest forms should be held for all officers who are able to access Ohms.	2	31/10/2022	22/23	18/08/2022	Natalie Waters Claire Goodliffe Housing Management & Income Recovery	OHMS is being replaced by NEC Jan 23. A review of declaration will be done as part of the go live project. NEC has the capability to lock users out of individual account, unlike OHMS. There will be a regular review of declaration thereafter. OHMS user completes a declaration and this is retained. Users informed that they must advise if there changes required to the declaration. Implementation of NEC Housing has been delayed until May 23	Jan 2023	51 to 75	Amber	Amber
282 22/23	DEGNS	Rent Accounting	HFR rent increases due should be automatically flagged and the associated calculations clearly documented, reviewed/approved and retained. A consistent approach to calculating rent increases should be documented and implemented. Any deviations from this should be subject to appropriate approval.	2	31/07/2022	22/23	18/08/2022	Ashley Blackwood Natalie Waters Senior Property Manager - HFR /Housing Management & Income Recovery Service Manager	13.9.22: Database created and stored in share point to record date all address, current rents, date of rent increase, increased rent and detail of CPI at the time of increase plus reason for cap and confirmation of approval of this decision by service manager . Rent increase letters templates to be created by 31.10.22in @W so these can be stored automatically against the tenancy . With the new Housing IT system being implemented early 23 we are exploring the options of if it can automatically flag when next increase are due as part of phase 2 ( March 23-Sept 23) Rent Increase Letter created in @W , however NEC Housing delayed until May 23	Jan 23	76 or more	Green	Amber
283 22/23	DEGNS	Rent Accounting	Regular reconciliations between the property databases and Ohms should be carried out by Accountancy and HFR for RBC and HFR properties and supporting evidence retained.	2	31/10/2022	22/23	18/08/2022	Stephen MacDonald Strategic Business Partner, Accountancy	HFR reconciliations completed, RBC properties significant progress made and reconciliation completed for 19/20 and 20/21 and 21/22 financial years and in progress for 22/23 which is on track for the closing of 22/23 financial year.	12 December 2022	76 or more	Green	Amber
284 22/23	DEGNS	Waste Management	It is recommended that data from all three systems (fleet management; White Space and staffing spreadsheet) used for monitoring are brought together to enable easier performance monitoring and comparisons between rounds.	2	Dec-22	22/23	30/06/2022	Graeme Rasdall-Lawes (Neighbourhood Services)	There is no API to perform this. However, the waste management team are producing a work book to pull together the detail report from each system in to a useful performance management tool	Dec-22	51 to 75	Amber	n/a
285 22/23	DEGNS	Waste Management	It is recommended that information about accident damage submitted to fleet management is forwarded to the waste management operation to be included in assessing crew performance.	2	Dec-22	22/23	30/06/2022	Graeme Rasdall-Lawes (Neighbourhood Services)	This is now procedure adopted by the operational management in October 2022. Weekly meeting between Fleet and Waste review any accident that have occurred and appropriate actiontaken.	Dec-22	76 or more	Green	n/a
286 22/23	RES	Salary Sacrifice Scheme	Although the Council has a signed service agreement in place for all those providers who facilitate a salaried sacrifice scheme on the Council's behalf, a procedure is required to ensure that any income tax risk and implications are fully reviewed and approved.	2	Jun-22	22/23	28/10/2022	Mark Sanders, Chief Accountant	This will be developed in Q1 of 2023/24 in line with the target date.	22 December 2022	25 or less	Red	n/a
287 22/23	RES	Salary Sacrifice Scheme	We would advise the Council, as the employer, to re-satisfy itself that the car lease, bicycle, and workplace schemes have the same HMRC clearance which was provided for the AVC scheme. This may simply involve obtaining the same assurances from PS Tax.	2	Jun-22	22/23	28/10/2022	Mark Sanders, Chief Accountant	This will be developed in Q1 of 2023/24 in line with the target date.	22 December 2022	25 or less	Red	n/a
288 22/23	DACHS	Deputyship and Appointeeship	It should be ensured that all Officers are aware of the existence of relevant policies and procedures. In addition, existing documentation should be reviewed to ensure there is sufficient detail and that they reflect current processes. Professional advice should be from RBC's legal (and other) teams as relevant to ensure that processes/procedures meet all required legal and best practice requirements and that actions are in clients' best interests (for example professional financial advice in relation to asset transfers/sales). Consideration should be given to archiving/deleting old versions of procedures to avoid confusion.	2	31/12/2022	22/23	02/11/2022	Marie Roeton Team Manager, Deputy's Office / Deputy's Administrator	All of the team is aware of where the office processes are held on file, we have started to introduce processes on Caspar. There are easy guide tick lists to follow that have been created. An independent Financial Advisor (IFA) has been sourced for clients that hold over £50k; All processes are being reviewed; they will be saved in one central place on SharePoint for the team to access - all old processes have been deleted.	14/12/2022	76 or more	Green	n/a
289 22/23	DACHS	Deputyship and Appointeeship	It is recommended that a full review of processes is undertaken by the Transformation Team with a view to streamlining them, moving away from manual processes/multiple spreadsheets, and to a more automated/workflowed approach. This would help identify progress, delays and approaching deadlines, enabling timely action to be taken. Working from one central document is preferable to using a number, some of which are located on personal drives, which is reliant on Officers updating them - SharePoint could help alleviate this problem. In association with this, an investigation should also be undertaken into the capabilities of NEC Document Management system (the system replacing @w, the Council's current electronic document management system). It would also be beneficial to clearly document the calculations, including amounts/dates used, to determine deputy's and appointees' fees.	1	31/03/2023	22/23	02/11/2022	Marie Roeton Team Manager, Deputy's Office / Deputy's Administrator	It is felt that a more specialized, commissioned professional who is aware of the process/Deputy's Service would support better with reviewing processes, contact has now been made with Caspar we are currently reviewing a new way to load up processes on to Caspar as well as have supporting documents in our sharedrive. Some of the team have created their own spreadsheets to support them with their workflows as a tool. These spreadsheets are now kept on the shared drive, rather than on their desktops. They have also been advised to use their Outlook calendar as a prompt reminder. Investigations into the "trays of work" in @W to see if this would benefit the team with capturing their workflows, have, this will have to wait until the new programme NEC has been upgraded. Calculations for the appointee and Deputy charges are clear. The charging date is by the direction date, which is when the balance from cashfac is obtained to work out the charges. Due to successful project appointee to Deputy - Appointee clients will be minimal	14/12/2022	51 to 75	Amber	n/a
290 22/23	DEGNS	RE3 Waste Project	The three Assistant Directors in the Partnership should consider if a review of the Joint Working Agreement (JWA) Changes document dated 2011 is required and advise the Joint Waste Disposal Board (JWDB) accordingly. The scope of any review should at least initially address and prioritise the whole total cost of the partnership, rather than simply the share of the costs.	2	31/03/2023	22/23	21/11/2022	Oliver Burt - re3 Strategic Waste Manager and Project Director & Andrew Edwards, Damian James, Francesca Hobson. All 3 Assistant Directors in the Partnership	This recommendation is valid but should be considered in light of the following: (1) The Joint Working Agreement (JWA) is concerned with the size of each council's respective share, whereas the Payment Mechanism is concerned with calculating the total cost. I am not aware of any unapproved changes, or those which have: (i) required a change to the way costs are allocated between the council partners, or (ii) which have not been approved by the re3 Board. That all being said, a review could help to identify if any have been overlooked. (2) I would strongly advise that the premise for any review is carefully considered, and consensus for the specification agreed by the council partners. The two reviews conducted by CIPFA, for WBC, should be shared and consulted as part of a process of specifying any review. They are highly relevant and an important source of info which, we understand, can reassure the partnership that apportionment is on an equitable basis. Any review should also only be directed at shared and genuine business needs and should be undertaken by an independent and appropriate organisation (e.g., DEFRA/ Local Partnerships). Because the JWA allocates costs between the partners, changes could have significant and repercussive implications. (3) Finally, the far more urgent task (specifically for council finances) is to address total cost rather	01 January 2023	Complete	Green	n/a

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291 22/23	DEGNS	RE3 Waste Project	Going forward there is a need to consider the reliance placed on the Principal Finance Officer (PFO) within the re3 project team and for the re3 Strategic Waste Manager to ensure that the risk of single person dependency, is mitigated more effectively.	2	09/01/2023	22/23	21/11/2022	Oliver Burt - re3 Strategic Waste Manager and Project Director	This recommendation is valid, and is supported, but should be reconsidered in light of the following: (1) I recognise the theoretical point. The re3 Project Team is light on staff, relative to other similar service teams. However, any practical review will inevitably identify those resources (capacity and money) are incredibly tight, across the partnership. (2) Alternative means of satisfying this recommendation are therefore likely to be needed. This could be through: (i) ensuring consistent, balanced, and constructive engagement by, and with, the respective Finance Teams, (ii) through ensuring that staff who work with greater relative exposure (such as the re3 Project Team) are fairly recognised and regarded for the conditions in which they work, and (iii) The re3 Project Team should review measures already in place (such as around scheduled payments) and build on them to increase resilience.	01 January 2023	76 or more	Green	n/a	
292 22/23	DEGNS	RE3 Waste Project	The re3 Strategic Waste Manager should introduce a formal internal quality review process of the work performed by the re3 PFO to provide additional assurance that spreadsheets (including formulae) and financial management reports, are accurate and complete. The review process should be documented and require the three borough council Finance Managers to carry out, for example, sample checks of spreadsheets, obtain evidence of source data and invoice calculation and allocation. In addition, the informal monthly meetings between the re3 PFO AND Finance Managers, should be formalised through the introduction of minutes and/ or action plans to progress issues raised later.	2	09/01/2023	22/23	21/11/2022	Oliver Burt - re3 Strategic Waste Manager and Project Director	This recommendation is valid and supported. The responses to recommendation 2 and 3 should be considered together. Further responses as follows: (1) It is important to recognise the detailed information, diligent monitoring and financial analysis that is provided by the re3 PFO and which is arguably not used to greatest effect. (2) Alongside that, the respective Finance Teams should consider whether they have the capacity to provide purposeful assurance checks. Based on current capacity, that is unlikely - which is just a reflection on the unfortunate reality. I would suggest consideration of some form of shared assurance process and will liaise within the Administering Authority and partnership to further develop this idea. (3) The suggestion of a more formal approach to Finance meetings, is welcomed. Recording decisions and actions, as part of a more balanced share of responsibility with the Finance Teams, is a good way of building assurance and resilience.	01 January 2023	76 or more	Green	n/a	
293 22/23	DEGNS	RE3 Waste Project	Section 10-Risk Management, of the re3 Project team Contract Review 2021 - 2022 paper, should be developed further to be included as an update in the quarterly Financial Management report to the JWDB. This would provide an opportunity for the JWDB to be updated and challenge the management of risk in the project on a regular basis. In addition, the Chair of the JWDB should set a more forward-looking agenda, which enables the partnership to take the leadership in progressing change in the project and introduce a process of minutes and specific action plans to follow up at subsequent meetings.	2	31/03/2023	22/23	21/11/2022	Oliver Burt - re3 Strategic Waste Manager and Project Director & Chair of the Joint Waste Disposal Board	This recommendation is valid and supported. We will incorporate the risk analysis as described. The recording and analysis of risk is important, but the practical addressing of many partnership risks will require other services to contribute. The need for a forward-looking agenda is accepted. This is what officers seek to deliver (the aforementioned Contract Review 2021 - 2022 paper was essentially a channel through which to identify future opportunities and risks). However, as above, addressing the future requires a much wider collaboration and some senior officer recognition. This element of Recommendation 4 could be addressed with an Agenda Setting meeting, such as are held for many other Committees. It would allow the Chair and other Board Members to set a forward plan for papers and to ensure advance consideration of foreseeable issues.	01 January 2023	76 or more	Green	n/a	
294 22/23	DEGNS	RE3 Waste Project	The re3 Waste Project team should review all their procedure and guidance notes and ensure that they are brought up to date, are in a consistent format, and show the date they were last updated, and reviewed and approved, by the re3 Strategic Waste Manager and/ or PWDB. As part of the overall effective Governance and good practice of the project, supporting written guidance should be in place to cover all of the re3 Project teams financial and operational processes.	2	09/01/2023	22/23	21/11/2022	Oliver Burt - re3 Strategic Waste Manager and Project Director	This recommendation is recognised and supported. Procedure Notes were reviewed in mid-2021 and we would query whether this a Priority 2 risk. Nonetheless, we will review them as requested.	01 January 2023	76 or more	Green	n/a	
295 22/23	DEGNS	Waste Management	It is recommended that data from all three systems (fleet management; White Space and staffing spreadsheet) used for monitoring are brought together to enable easier performance monitoring and comparisons between rounds.	2	Dec-22	22/23	30/06/2022	Graeme Rasdall-Lawes (Neighbourhood Services)	There is no API to perform this. However, the waste management team are producing a work book to pull together the detail report from each system in to a useful performance management tool	Dec-22	51 to 75	Amber	n/a	
296 22/23	DEGNS	Waste Management	It is recommended that information about accident damage submitted to fleet management is forwarded to the waste management operation to be included in assessing crew performance.	2	Dec-22	22/23	30/06/2022	Graeme Rasdall-Lawes (Neighbourhood Services)	This is now procedure adopted by the operational management in October 2022. Weekly meeting between Fleet and Waste review any accident that have occurred and appropriate action taken.	Dec-22	76 or more	Green	n/a	
											25 or less		5	5.1%
											26-50		11	11.1%
											51-75		29	29.3%
											76+		28	28.3%
											Complete		26	26.3%
											<b>Total</b>		<b>99</b>	<b>100.0%</b>

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READING BOROUGH COUNCIL  
REPORT BY DIRECTOR OF FINANCE

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>24<sup>th</sup> JANUARY 2023</b>		
<b>TITLE:</b>	<b>CLOSING FINANCIAL ACCOUNTS UPDATE</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE AND CUSTOMER SERVICES</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>MARK SANDERS</b>	<b>TEL:</b>	<b>0118 937 4431</b>
<b>JOB TITLE:</b>	<b>CHIEF ACCOUNTANT</b>	<b>E-MAIL:</b>	<b>Mark.Sanders@reading.gov.uk</b>

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report updates the Committee with progress on completion of the audit of the Council's Final Accounts for 2019/20, 2020/21 and preparation for the 2021/22 accounts. This report should be considered alongside EY's External Audit Update report also on tonight's agenda.
- 1.2 The report also confirms that KPMG will be the Council's new External Auditor for five years covering the 2023/24 to 2027/28 Statements of Account.

## 2. RECOMMENDED ACTION

- 2.1 That the Committee notes the progress made on the audit of the accounts for 2019/20, 2020/21 and preparation for the 2021/22 accounts.
- 2.2 That the Committee notes the appointment of KPMG as the Council's new independent External Auditor for five years from 2023/24.

## 3. SUMMARY

- 3.1 Since the last committee meeting, the Council's work has now moved to concurrently working on three sets of accounts (2019/20, 2020/21 and 2021/22) which are all at different stages of completion. This brings additional complexities to both Council and External Audit teams but remains the best strategy for bringing the whole process up to date.
- 3.2 An incremental approach is being adopted, such that any significant adjustments arising in one year which are agreed during the audit process will be reflected in the accounts of the following year before they are prepared.
- 3.3 The Council's Finance team has continued to meet regularly with the External Auditor's (EY) team to manage the progress and discuss matters arising. This work is set to

continue over forthcoming months. To date, there are no significant issues arising and the Council continues to respond to audit queries raised.

### **National progress on audit opinions**

- 3.4 The latest national position on audit delays published by the PSAA (Public Sector Audit Appointments) reports that as at 30 November 2022 only 12% of 2021/22 audit opinions had been given. Whilst these challenges are reflected locally, the Council is working in partnership with EY by retaining staff experienced with our systems and audit processes to work on the audit of accounts.
- 3.5 This approach will help mitigate some of these challenges, whilst enabling the Council to move forward with its accounts recovery plan.

### **2019/20 Accounts**

- 3.6 Members will recall that the draft 2019/20 accounts was published on 10 November 2021 and has been subject to External Audit scrutiny since that date.
- 3.7 The Government have now issued a statutory override, which came into force on 25 December 2022, to support local authorities in the presentation of Infrastructure Asset valuations in the accounts. CIPFA has also issued an update to their accounting code. These documents have been reviewed and compared with the Council's accounts and historical information available.
- 3.8 The Council intends to take advantage of the statutory override and amend the draft 2019/20 Accounts (and later year's) accordingly. A detailed briefing note has been prepared and provided to EY who will now review and provide feedback.
- 3.9 Over the last month, there has been a small number of new audit queries raised for which responses have been provided. To date, there are no further issues outstanding and once the Infrastructure disclosure has been resolved it is expected that the accounts can finally be closed, and external audit opinion given.
- 3.10 The Committee, at its meeting on 19 July 2022 approved that the Director of Finance, in consultation with the Chair of Audit & Governance Committee, be authorised to sign off the Statement of Accounts for 2019/20 on behalf of the Council.

### **2020/21 Accounts**

- 3.11 The external audit of the 2020/21 accounts began at the start of August 2022 and continues to be the main focus of work for the Council's final accounts team.
- 3.12 The draft accounts are published on the Council's website and the public inspection period closed on 9 November 2022.
- 3.13 The total number of audit queries and their status is as follows:

**Table 1 - Audit Queries as at 12/01/23**

<b>No of Queries</b>	<b>Status</b>
20	RBC - In Progress
234	EY - To review (response provided by RBC)
18	EY - Accepted
272	Total

- 3.14 The above table shows that the majority of outstanding queries are with EY for review which shows the considerable amount of progress that has been made. The Council's remaining outstanding queries are expected to be reviewed and explanations provided to EY before the end of January 2023.
- 3.15 The total number of queries include requests for a large number of sample transactions, with around 400 being traced back to original documentation and follow through evidence to the Council's bank statement. This work has involved the support of non-finance staff and detailed analytical work to confirm associated reconciliations and calculations in many cases. For future years, it is hoped that greater reliance can be placed by EY on the Council's controls processes which means the number of transactions sampled can be reduced, thus leading to a reduced volume of work required.
- 3.16 There have been a number of amendments to the draft accounts, some identified by the Council as data improvements have been identified, and some raised through External Audit fieldwork. In all cases the statement of accounts has been updated where appropriate.
- 3.17 Whilst the Council is not aware of any significant issues arising to date, EY have still to complete their reviews and provide feedback. Additionally, as the audit process is still underway, it is likely that there will be further queries raised over the next few months.

#### **2021/22 Accounts**

- 3.18 The draft 2021/22 accounts are being prepared and can be finalised when sufficient reviews have been completed by EY to give assurance to balances brought forward from the 2020/21 accounts.

#### **External Auditor Appointment**

- 3.19 Members will be aware that the Council opted in to the PSAA's External Auditor appointment process alongside 470 local government, police and fire bodies (99% of eligible local bodies).
- 3.20 This process has now concluded, and KPMG has been appointed as the Council's new auditor for five years covering the 2023/24 Statement of Accounts through to 2027/28.
- 3.21 The share of contract awards over auditor bodies is as follows:

**Table 2 - Share of PSAA awarded audit contracts**

	<b>Share of PSAA's work</b>
Grant Thornton	36.0%
Mazars	22.5%
Ernst & Young	20.0%
KPMG	14.0%
Bishop Fleming	3.75%
Azets Audit Services	3.25%

3.22 There will now be a planning process over the next few months to begin the transition between auditors. EY will still sign off the 2022/23 Statement of Accounts and will support the transition process. Updates will be brought to this Committee as this work progresses.

3.23 At this stage, the new appointment is acknowledged, and the Council offers its thanks for the support and services provided by EY as External Auditor.

#### **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 and the draft 2020/21 accounts during September / December 2022 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 this 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 financial years 2017/18 to 2021/22 as the accounts were not ready for inspection.

#### **9. FINANCIAL IMPLICATIONS**

9.1 The audit fees for 2019/20 and 2020/21 will be reported in due course.

**10. BACKGROUND PAPERS**

10.1 None.

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READING BOROUGH COUNCIL  
REPORT BY DIRECTOR OF FINANCE

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>24<sup>th</sup> JANUARY 2023</b>		
<b>TITLE:</b>	<b>EXTERNAL AUDITOR UPDATE</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE AND CUSTOMER SERVICES</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>MARK SANDERS</b>	<b>TEL:</b>	<b>0118 937 4431</b>
<b>JOB TITLE:</b>	<b>CHIEF ACCOUNTANT</b>	<b>E-MAIL:</b>	<b>Mark.Sanders@reading.gov.uk</b>

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 A representative from the Council's External Auditor EY will provide a verbal update on the 2019/20 audit process and present their 2020/21 External Audit Plan.
- 1.2 The 2020/21 External Audit Plan is included as an Appendix to this report.

## 2. RECOMMENDED ACTION

- 2.1 That the Committee notes EY's update on the accounts process.
- 2.2 That the Committee notes the 2020/21 External Audit Plan.

## 3. CONTRIBUTION TO STRATEGIC AIMS

- 3.1 The external audit process includes the approval of the annual Statement of Accounts results and the publication of accurate, transparent financial information which gives a true and fair view of Reading Borough Council's economic performance and financial stability.

## 4. ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS

- 4.1 None arising.

## 5. COMMUNITY ENGAGEMENT AND INFORMATION

- 5.1 This report will include where appropriate any feedback from public inspection of accounts.

**6. EQUALITY IMPACT ASSESSMENT**

6.1 Not applicable.

**7. LEGAL IMPLICATIONS**

7.1 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 this 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 financial years 2017/18 to 2021/22 as the accounts were not ready for inspection.

**8. FINANCIAL IMPLICATIONS**

8.1 The audit fees will be reported in due course.

**9. BACKGROUND PAPERS**

9.1 Previous Closing Accounts updates reports to the Audit & Governance Committee.

A photograph showing a group of people in a meeting. They are gathered around a white table with several sheets of paper. One person's hand is pointing at a document. A smartphone is visible on the table. The background is slightly blurred, focusing on the meeting activity.

# Reading Borough Council and Group Draft Audit Planning Report

Year ended 31 March 2021

January 2023



Reading Borough Council  
Audit & Governance Committee

13 January 2023

Dear Audit & Governance Committee Members

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as the appointed auditor at Reading Borough Council. Its purpose is to provide the Audit & Governance Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 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 for 2020/21 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 24 January 2023 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 2020/21 audit and our plans for completing the audit.

Yours faithfully

Maria Grindley

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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). 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 July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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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# Overview of our 2020/21 audit strategy



# Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and 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 – inappropriate capitalisation of revenue expenditure	Fraud 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 PPE valued using Existing Use value (EUV) and Investment Properties valued at fair value due to significant judgements involved	Significant risk	No change in risk or focus	<p>The carrying amount of Property Plant and Equipment (PPE) and the fair value of Investment Properties (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, performs revaluations of the PPE and IP properties and incorporates 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 in the first quarter of 2020 affected the economic operation which in turn for specific classes of assets materially impacted the value of property categories across UK.</p> <p>As a result of the above matters, we considered the related specific risk to be on the valuation of PPE (specifically assets valued at Existing Use Value (EUV) and IP as significant for the financial year 2020/21.</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 requires 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 2020/21 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
Going concern disclosures	Inherent risk	No change in risk or focus	We consider that the unpredictability of the current economic environment during 2022/23 gives 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, the high inflationary economic environment, the Council's actual year end financial position and medium term financial forecast.
Potential error in the accounting treatment of cash reconciling items in main bank account reconciliation	Inherent risk	No change in risk or focus	In 2018/19 and 2019/20 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 including reconciling items to assess any potential impact in 2020/21.
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.
Inappropriate infrastructure asset recognition and derecognition	Inherent risk	New Inherent Risk	An issue was raised via the NAO's Local Government Technical Group as to whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that need to be de-recognised when the subsequent expenditure is added. It was highlighted that this could also lead to issues related to the reporting of gross historical cost and accumulated depreciation as elements of depreciated historical cost. This is a national issue impacting the majority of clients holding material infrastructure assets. Legislation has recently been passed which offers a time limited resolution to the matter. Therefore, we considered this as a higher inherent risk due to the timing of this report and the fact that we have been unable to yet audit the Council's proposed response to the new legislation.
Incorrect accounting treatment of COVID grants	Inherent risk	New Inherent Risk	With the outbreak of COVID, the UK government announced several grants to support both local authorities and the wider community including businesses. Each grant had different terms and conditions attached which meant that the Council had to carefully consider if the grants should be accounted for as agent or principal. An incorrect judgement could result in a material error.

# Overview of our 2020/21 audit strategy

## Group Materiality

Planning  
materiality

£5.61 m

Materiality has been set at £5.61 m, which represents 1% of the gross expenditure on provision of services as per 2020/21 unaudited accounts. This is consistent with the threshold applied in the prior year.

Performance  
materiality

£2.81m

Performance materiality has been set at £2.81 m, which represents 50% of planning materiality. This is consistent with the threshold applied in the prior year.

Audit  
differences

£0.28 m

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 £280 k. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Governance Committee.

# Overview of our 2020/21 audit strategy

## Single - entity Materiality

Planning  
materiality

£4.73m

Materiality has been set at £4.73 m, which represents 1% of the gross expenditure on provision of services as per 2020/21 unaudited accounts. This is consistent with the threshold applied in the prior year.

Performance  
materiality

£2.36 m

Performance materiality has been set at £2.36 m, which represents 50% of planning materiality. This is consistent with the threshold applied in the prior year.

Audit  
differences

£0.24m

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 £236k. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Governance Committee.

# Overview of our 2020/21 audit strategy

## 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 2021 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.

Given the delays in certifying the prior year accounts we will be unable to report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

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:

- Page 223
- 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 ISA 540 (revised) and 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.

Effects of climate-related matters on financial statements and Value for Money arrangements

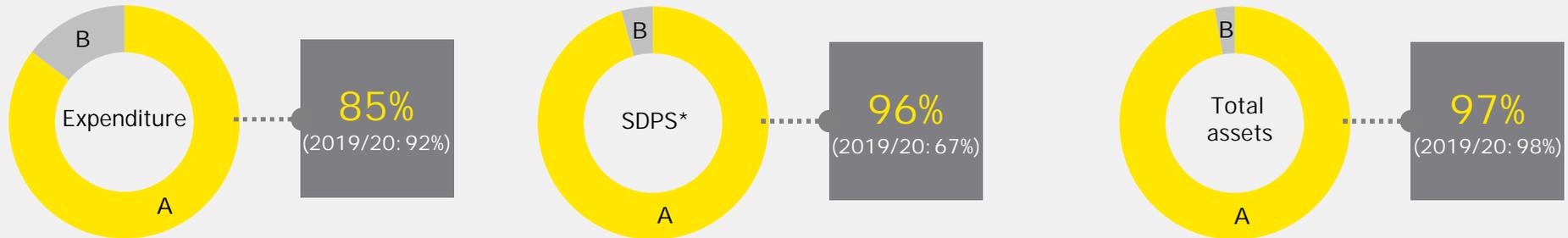
Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

# Overview of our 2020/21 audit strategy

## Audit scope – for group audit

As part of our group audit work, we have performed scoping of the components (i.e. subsidiaries) of Reading Borough Council. We have considered a full scope audit approach (A) for Reading Borough Council and Reading Transport Limited and specific scope audit approach (B) for Homes for Reading and Brighter Future for Children audits.



\*Surplus or Deficit on Provision of Services

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- We have specifically considered the scope of our audit in response to the identified risks in the Section 1 of this report and how these risks impacted the components of RBC.
- All of the components of RBC were either designated as full scope or specific scope audit approach and there were no components that were excluded from the scoping above.
- Section 4 provides an overview of the nature of our planned involvement in the work to be performed by the auditor of the full and specific scope components.
- We intend to take a full substantive audit approach.

# Overview of our 2020/21 audit strategy

## Value for money conclusion

The NAO updated the Code in 14 December 2021 which applies to the financial year 2020/21 audit, the key changes from the previous years are set out in detail in Section 03 but fundamentally, we will now produce a Value for Money (VfM) commentary covering set criteria and we will report this in an Auditor's Annual Report which replaces the Annual Audit Letter.

We include details the status of the value for money conclusion in Section 03 of this report, but in summary:

- We are required to consider whether Reading Borough Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of Reading Borough Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on Reading Borough Council's arrangements against three reporting criteria:
  - Financial sustainability - How Reading Borough Council plans and manages its resources to ensure it can continue to deliver its services;
  - Governance - How Reading Borough Council ensures that it makes informed decisions and properly manages its risks; and
  - Improving economy, efficiency and effectiveness - How Reading Borough Council uses information about its costs and performance to improve the way it manages and delivers its services.
- The commentary on VFM arrangements will be included in the Auditor's Annual Report.

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## Timeline

### Publication of Audited Accounts

The Department for Levelling Up, Housing and Communities (DLUHC) established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, DLUHC announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22.

As the Council is still in the process of completing the 2019/20 audit it has clearly missed the deadline for the certification. As we have regularly reported to the Audit & Governance Committee we are working closely with officers to agree a plan so that the Council can begin to close the gap in terms of having historical audit years closed. We will continue to keep the Audit & Governance Committee updated on the progress of the Council in this matter.



# 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.

	What is the risk?	What will we do?
<p data-bbox="100 730 129 869" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 22</p> <p data-bbox="118 778 472 807"><b>Financial statement impact</b></p> <p data-bbox="107 831 544 1118">Misstatements that occur in relation to Risk of fraud in revenue and expenditure recognition – inappropriate capitalisation of revenue expenditure could affect the income and expenditure accounts. These accounts had the following balances in the 2020/21 financial statements: Income Account: £490m Expenditure Account: £480m</p> <p data-bbox="107 1150 528 1437">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 data-bbox="577 459 1171 715">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.</p> <p data-bbox="577 751 1171 906">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 data-bbox="577 943 1171 1225">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 data-bbox="577 1262 1171 1417">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>	<p data-bbox="1205 408 1429 437"><b>What will we do?</b></p> <ul data-bbox="1205 459 2123 667" style="list-style-type: none"> <li>• Review the capital programme to assess what schemes are included and identify anything unusual or unexpected;</li> <li>• Review capital expenditure incurred by the Council to ensure that it has been correctly classified as capital rather than revenue; and</li> <li>• We will specifically test Property, Plant and Equipment (PPE) additions with a specific focus on incorrect capitalisation of revenue expenditure.</li> </ul> <p data-bbox="1205 715 2123 778">In addition to the above, our audit procedures in relation to fraud and error also include review of:</p> <ul data-bbox="1205 786 2123 946" style="list-style-type: none"> <li>• Journal entries; specifically manual journals posted by management in the preparation of the financial statements.</li> <li>• Significantly unusual transactions entered into by management that are outside of the normal scope of business of the Council; and</li> <li>• Management bias in key accounting estimates and judgements.</li> </ul>

## 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="118 440 528 596">Potential misstatement in PPE valued using existing usage value (EUV) and IP valued at fair value due to significant judgements involved</p> <p data-bbox="100 719 555 842">Page 228 Financial statement impact</p> <p data-bbox="100 855 555 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 the 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="100 1238 555 1430">In 2020/21 draft statement of accounts, the council reported the PPE revalued using EUV amounted to £43.6m whereas the IP revalued during the year amounted to £76m.</p>	<p data-bbox="580 456 1176 616">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="580 647 1176 967">Management through the external valuers performed revaluations 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="580 999 1176 1126">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 2020/21.</p>	<ul data-bbox="1211 456 2110 1174" style="list-style-type: none"> <li>• Consider the work performed by the Council's valuers specifically for PPE valued using EUV and IP valued at fair value, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>• 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;</li> <li>• For a sample selected from the PPE valued using EUV and IP valued at fair value, we will assess whether the valuation basis was appropriate and whether the assumptions used were supportable. We will also reperform the valuers' calculations;</li> <li>• Use our internal valuation specialists to perform a detailed assessment of a sample of risk assessed assets;</li> <li>• Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;</li> <li>• Consider changes to useful economic lives as a result of the most recent valuation; and</li> <li>• Test that accounting entries have been correctly processed in the financial statements.</li> </ul>

## 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?	What will we do?
<p>Incorrect valuation for pension liability due to significant judgement involved</p> <p>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.</p> <p>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 2021 this totalled £551 million (2020: £396 million).</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and</li> <li>• 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.</li> </ul>
<p>Going concern disclosures</p> <p>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.</p> <p>We believe the risk has increased following Covid-19 and more recently by the high inflation economy. 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.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Assess the adequacy of disclosures required in 2020/21, and the impact on our opinion, should these be inadequate;</li> <li>• Discuss management's going concern assessment and consider any evidence of bias and consistency within the accounts;</li> <li>• Ensure that an appropriate going concern disclosure has been made within the financial statements; and</li> <li>• Consider the impact on our audit report and compliance with EY consultation requirements.</li> </ul>

## 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>Potential error in the accounting treatment of cash reconciling items in main bank account reconciliation</p> <p>During the 2019/20 audit, we identified issues with unexplained and untraceable cash reconciling items in the main bank account reconciliation of the council. Management was required to provide resolution in 2002/21 over the related issue noted in 2019/20. However, initial discussion with the management revealed that the same issue still exist and the management is currently working on to resolve the issue.</p> <p>As a result of the above issue, we believe that there is a higher inherent risk that errors in the accounting treatment of the related cash reconciling items may occur.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Obtain management’s revised bank reconciliation for the main bank accounts;</li> <li>• Perform a review of the bank reconciliation of the main accounts focusing on the bank reconciling items and testing at lower thresholds; and</li> <li>• Assess the accounting treatment of the reconciling items and trace the journal entries made to identify any inappropriate treatment.</li> </ul>
<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 2020/21 including Brighter Futures For Children Limited, 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"> <li>• 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;</li> <li>• Where exceptions are identified, we will request for management’s assessment and will review it for reasonableness;</li> <li>• Instruct the relevant component auditors to report to us under the group accounting policies;</li> <li>• Check additional disclosure requirements in the Group accounts of the Council.</li> </ul>

## 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>Inappropriate infrastructure asset recognition and derecognition</p> <p>An issue was raised in 2022 via the NAO's Local Government Technical Group as to whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that needs to be de-recognised when the subsequent expenditure is added. This may also lead to issues related to the reporting of gross historical cost and accumulated depreciation as elements of depreciated historical cost. This is a national issue impacting the majority of clients holding material infrastructure assets.</p> <p>CIPFA published in May 2022 its 'Temporary Proposals for the Update of the Code of Practice on Local Authority Accounting in the United Kingdom' on infrastructure assets. Asset registers do not tend to record infrastructure capital expenditure with sufficient detail to enable identification of prior cost of replaced parts/components and related accumulated depreciation. Given this lack of record keeping, it is not possible to identify the cost and accumulated depreciation balances that need to be de-recognised. The issues effects additions to infrastructure from 2010/11 when IFRS was adopted by the CIPFA code of practice. Infrastructure Assets have a Gross Book Value of £303.6 m as at 31 March 2020.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the time-limited legislation passed in December 2022 to address the matter; and</li> <li>Assess the Council's proposed response, including any associated accounting adjustments and disclosures, to the revised legislation.</li> </ul>
<p>New Central Government Grants and Other COVID-19 Funding Streams</p> <p>Central Government have provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to disseminate to other bodies. We know that Reading Borough Council received £11m in Covid-19 Grants during 2020/21</p> <p>The Council needs to review each of these to establish how they need to be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. For those where the decision is a principal, it also needs to assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.</p>	<p>We will:</p> <p>Consider the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> <li>An Agent, where it has determined that it is acting as an intermediary; or</li> <li>A Principal, where the Council has determined that it is acting on its own behalf.</li> </ul>



03

# Value for Money Risks





# Value for Money

## Background on 2020 Code

The NAO updated the Code in 14 December 2021 which applies to the financial year 2020/21 audit, we will now produce a Value for Money (VfM) commentary covering set criteria and we will report this in an Auditor’s Annual Report which replaces the Annual Audit Letter. The commentary will now highlight any significant weakness identified in the arrangement against the three reporting criteria *financial sustainability, governance and improving economy, efficiency and effectiveness* and will bring to the body’s attention along with the recommendation for improvement. The details of the changes on Council’s responsibilities and Auditor’s responsibilities are set out below.

## Council’s responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

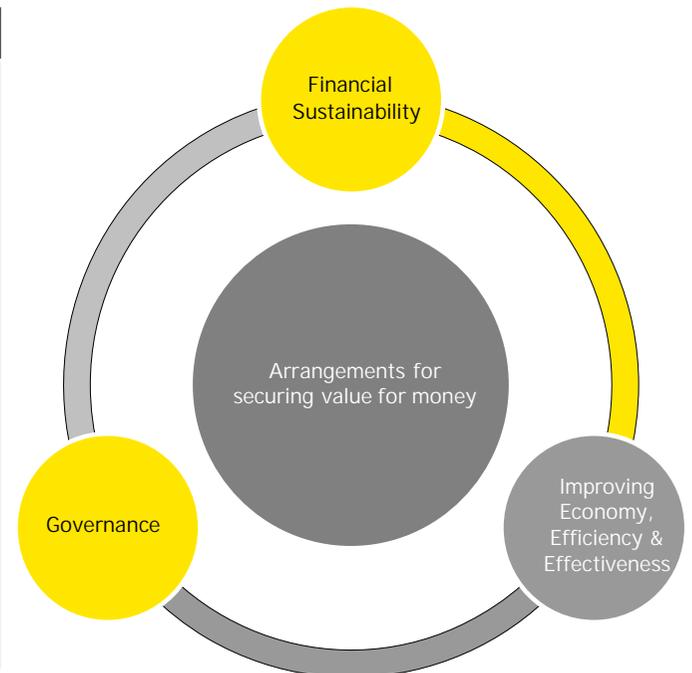
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor responsibilities

Under the NAO Code of Audit Practice 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. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



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## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



## Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit and governance committee.

## Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

## Status of our 2020/21 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability - including the impact of Covid-19 and the high inflationary economy on the medium term financial planning.

In addition, due to a qualification in the 2019/20 VFM conclusion we will also need to specifically revisit the following key areas:

- Maintaining a sound system of internal control; and
- Working with Partners and Third Parties

We will update the next Audit & Governance Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



04

# Audit materiality



# Materiality

## Group Materiality

For planning purposes, group materiality for 2020/21 has been set at £5.615m. This represents 1% of the Council's 2020/21 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 Brighter Futures for Children Ltd at £1.011m, and Reading Transport Ltd & Homes for Reading Ltd at £0.562m. We have provided supplemental information about audit materiality in Appendix C.

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## Single-entity Materiality

For planning purposes, single-entity materiality for 2020/21 has been set at £4.73 million. This represents 1% of the Council's 2020/21 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 (continued)

### 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 £2.36 million for the council and £2.80 million for the Group which represents 50% of planning materiality. We have set the 50% threshold based on the issues noted in 2019/20 and also to reflect the anticipated errors in 2020/21.

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. See details in the next slide.

### Materiality (continued)

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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



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 undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper 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 opinion on the financial statements:

Page 241 whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO [delete if not applicable]

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

As outlined in Section 03, 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 and report a commentary on those arrangements.

## 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 2020/21 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 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:

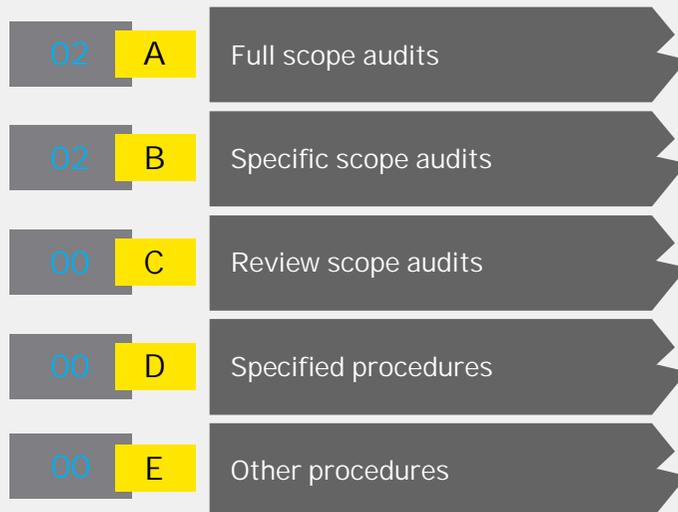
1. Significant components: A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). 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.

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### 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. The full scope audits are Reading Borough Council (the Council) and Reading Transport Limited (RTL)

**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. The components under specific scope audits includes Brighter Future for Children (BFfC) and Homes for Reading (HfR).

**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.

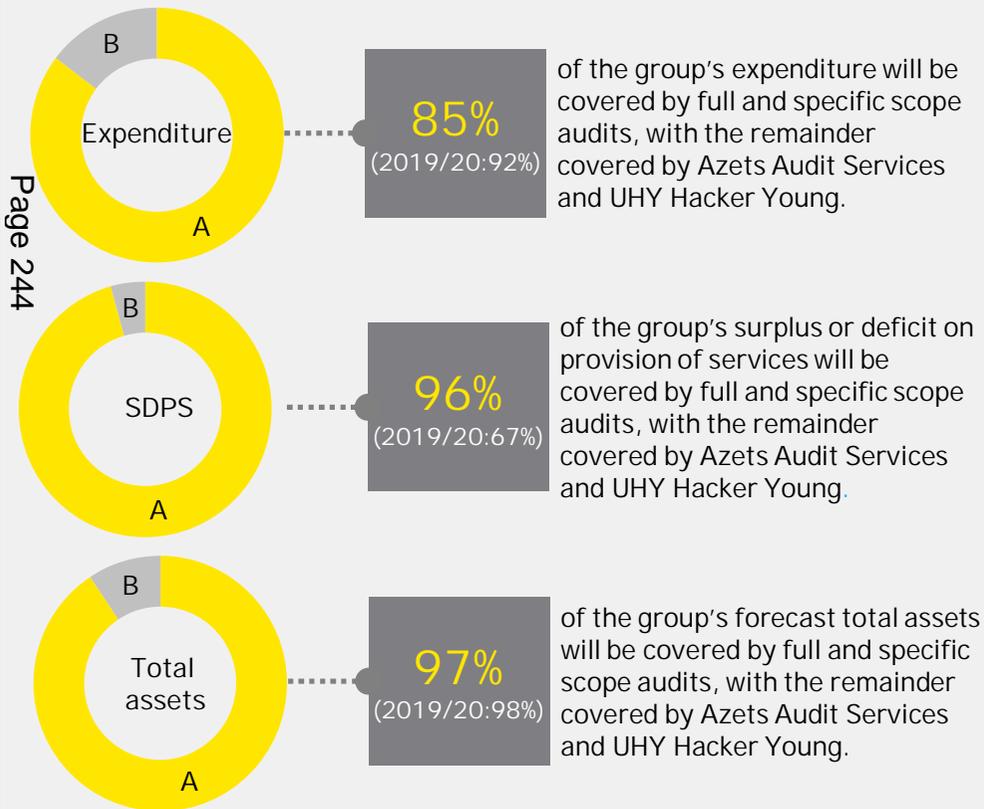
**Specified Procedures:** locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

**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. No entities will be reviewed under this method

## Scoping the group audit (continued)

### Coverage of Revenue/Profit before tax/Total assets

Based on the group's results, our scoping is expected to achieve the following coverage of the group's revenue, total assets and surplus / deficit in the provision of services (SPDS):



Our audit approach is risk based and therefore the data above on coverage is provided for your information only. Further details on the scoping of the Group audit can be found at Appendix A.

### Key changes in scope from last year

- Specific scope for Brighter Further for Children (BFfC) will include review on income as this now has become material in FY 2020/21
- COVID related grants are to be reviewed by auditors that they meet CIPFA's definition of agent / principal grants

### Details of other procedures

- Perform analysis of Homes for Reading (HfR)'s investment property valuation

## 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.

# Scope of our audit

## Scoping the group audit (continued)

The below table sets out the scope of our audit. 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	SDPS	Size	Risk
Reading Borough Council	Full	✓	77%	94%	95%	Yes	Yes
Reading Transport Limited	Full	No	8%	3%	1%	No	Yes
Homes for Reading	Specific	No	14%	1%	4%	No	Yes
Brighter Futures for Children	Specific	No	1%	2%	0%	No	Yes
<b>TOTAL FULL and SPECIFIC SCOPE</b>			<b>100%</b>	<b>100%</b>	<b>100%</b>		



06

Audit team



# Audit team

## Audit team changes

The other key Group team members are the same as last year.

## Audit team structure:



## 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 Real Estate (EY specialist)
Pensions disclosure	Barnet Waddingham (actuary) Deloitte LLP (actuary's external auditor) EY Pension Consulting (EY specialist)
IF1	Arlingclose (external expert)

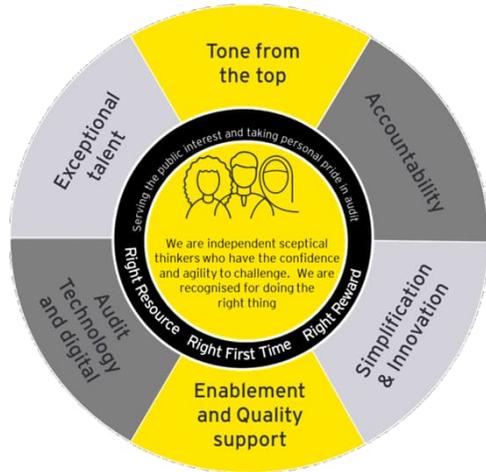
In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

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.

# Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.



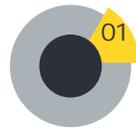
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Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

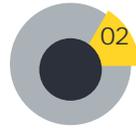
1. Our people are focused on a common purpose. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
  - Right resources – We team with competent people, investing in audit technology, methodology and support
  - Right first time – Our teams execute and review their work, consulting where required to meet the required standard
  - Right reward – We align our reward and recognition to reinforce the right behaviours

### 3. The six pillars of Sustainable Audit Quality are implemented.



#### Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



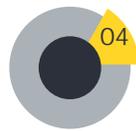
#### Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



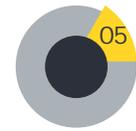
#### Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



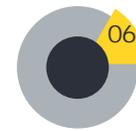
#### Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



#### Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



#### Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are encouraged and empowered to challenge and exercise professional scepticism across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

#### 2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

*"A series of company collapses linked to unhealthy cultures....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."*

Sir John Thompson  
Chief Executive of the FRC



# 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 2020/21.

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 committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	September 2022		
Walkthrough of key systems and processes	October 2022		
Year end audit testing	October – December 2022		
Year end audit testing	January 2023	Audit & Governance Committee	Draft Audit Planning Report
Year end audit testing	February – March 2023	Audit & Governance Committee	
Audit Completion procedures	April 2023	Audit & Governance Committee	Draft Audit Results Report

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Our audit of the 2020/21 accounts is progressing well. We are aiming to have substantially completed the majority of our audit work by the end of February 2023 with a view to completing final procedures and checks and issuing our audit opinion in March 2023 subject to satisfactory conclusion of all outstanding queries and internal consultation processes.



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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 December 2019, 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 &amp; Young (EY) including consideration of all relationships between 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>▶ 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/additional 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>▶ 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 all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; 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 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 have an investment in the Council; 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 still completing the 2019/20 audit and will then need to agree the final Scale Fee Variations for 2019/20 audit. As part of that we will need to provide detail submissions to the Public Sector Audit Appointments Ltd as part of an agreed process for discussing Scale Fee Variations. We will also supply further information to management as part of the agreement of the audit fee for 2019/20. In due course we will then report to the Audit & Governance Committee the final agreed fee for 2019/20.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), 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. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 1:4. 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

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## 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.

## 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 2022: [https://www.ey.com/en\\_uk/about-us/transparency-report-2022](https://www.ey.com/en_uk/about-us/transparency-report-2022)



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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 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee - Code work	83,884	83,884	83,884
Additional Fee	TBC*2	TBC*2	TBC*1
Other - Housing Benefits	TBC*4	45,500	45,500
<b>Total audit</b>			
Other non-audit services: Housing Capital Receipts	TBC*3	TBC*3	TBC*3
Other non-audit services: Teacher's Pensions	13,000	13,000	12,500
<b>Total other non-audit services</b>	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

*All fees exclude VAT*

(1) As at the date of this report the 2019/20 audit is ongoing and substantially complete. We will provide an update on the fee at the next Audit & Governance Committee meeting. Any additional fee will need to be formally approved by PSAA.

(2) For 2020/21 the planned fee represents the base fee, i.e. not including any extended testing. For 2020/21, 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 2019/20 has not yet been completed due to some technical issues. We will provide an update when the claim is fully certified.

(4) The certification of the 2020/21 Housing Benefits subsidy claim is substantially complete and in final review as at the date of this report. The Teacher's Pension review was 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 2023 Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee

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# Required communications with the Audit & Governance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Page 260	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"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Draft Audit planning report presented to the January 2023 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
	Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
	Subsequent events	<ul style="list-style-type: none"> <li>• Enquiries of the management where appropriate regarding whether any subsequent events have occurred that might affect the financial statements</li> </ul>	Draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
	Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit &amp; Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Audit &amp; Governance Committee responsibility</li> </ul>	Draft Audit planning report presented to the January 2023 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2023 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
Related parties	<ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Draft Audit planning report presented to the January 2023 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
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"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Draft Audit planning report presented to the January 2023 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2023 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
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit &amp; 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 &amp; governance committee may be aware of.</li> </ul>	Draft Audit planning report presented to the January 2023 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
Internal controls	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit</li> </ul>	Draft Audit Results Report to be presented at the January 2023 Audit & Governance Committee

# Required communications with the Audit & Governance Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	  When and where
Group audits	<ul style="list-style-type: none"> <li>• An overview of the type of work to be performed on the financial information of the components</li> <li>• 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</li> <li>• 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</li> <li>• Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted</li> <li>• 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</li> </ul>	Draft Audit planning report presented to the January 2023 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Draft Audit Results Report to be presented at the April 2023 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 2023 Audit & Governance Committee
Auditors report	<ul style="list-style-type: none"> <li>• Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
Fee Reporting	<ul style="list-style-type: none"> <li>• Breakdown of fee information when the audit plan is agreed</li> <li>• Breakdown of fee information at the completion of the audit</li> <li>• Any non-audit work</li> </ul>	Draft Audit planning report presented to the January 2023 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee
Value for Money	<ul style="list-style-type: none"> <li>• Risks of significant weakness identified in planning work</li> <li>• Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.</li> </ul>	Draft Audit planning report presented to the January 2023 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2023 Audit & Governance Committee; Auditors’ Annual Report

## Additional audit information

### Objective of our audit

Our objective is to form an opinion on the Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

### 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 Council and Group 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)

### Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> <li>• Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.</li> <li>• Examining and reporting on the consistency of consolidation schedules or returns with the Council’s audited financial statements for the relevant reporting period</li> </ul>
Other procedures	<ul style="list-style-type: none"> <li>• We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice</li> </ul>

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

### 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 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.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

## READING BOROUGH COUNCIL

### REPORT OF DEPUTY CHIEF EXECUTIVE

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>24 JANUARY 2023</b>		
<b>TITLE:</b>	<b>HOUSING BENEFIT &amp; COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2023/24</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE AND CUSTOMER SERVICES</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>SAMANTHA WILLS</b>	<b>TEL:</b>	<b>0118 937 2711</b>
<b>JOB TITLE:</b>	<b>REVENUES &amp; BENEFITS MANAGER</b>	<b>E-MAIL:</b>	<b>Samantha.wills@reading.gov.uk</b>

#### 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 2023/24. 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 2022/23.

#### 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 2023/23.

**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.)**

#### 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.

#### **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 Local Authority 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](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/633018/s11-2011.pdf)

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