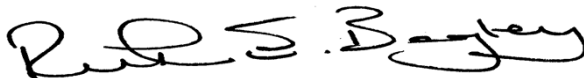


Date of issue: Monday, 4 July 2016

<b>MEETING:</b>	<b>AUDIT AND CORPORATE GOVERNANCE COMMITTEE</b> (Councillors Sadiq (Chair), Bedi (Vice-Chair), Amarpreet Dhaliwal, Hussain, Rana, Sarfraz and Swindlehurst)  <b>CO-OPTED INDEPENDENT MEMBERS:</b> Mr Davies, Mr Roberts and Mr Sunderland.  <b>PARISH COUNCIL MEMBERS:</b> Parish Councillor Raymond Jackson (Colnbrook with Poyle) Parish Councillor TBA (Wexham Court) Parish Councillor TBA (Britwell)  <b>INDEPENDENT PERSON</b> Dr Louis Lee
<b>DATE AND TIME:</b>	TUESDAY, 12TH JULY, 2016 AT 6.30 PM
<b>VENUE:</b>	VENUS SUITE 2, ST MARTINS PLACE, 51 BATH ROAD, SLOUGH, BERKSHIRE, SL1 3UF
<b>DEMOCRATIC SERVICES OFFICER: (for all enquiries)</b>	SHABANA KAUSER 01753 787503

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.



**RUTH BAGLEY**  
Chief Executive

AGENDA

PART I



**AGENDA**  
**ITEM**

**REPORT TITLE**

**PAGE**

**WARD**

Apologies for absence.

1. Declarations of Interest

*All Members who believe they have a Disclosable Pecuniary or other Pecuniary or non pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 3 paragraphs 3.25 – 3.27 of the Councillors' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 3.28 of the Code.*

*The Chair will ask Members to confirm that they do not have a declarable interest. All Members making a declaration will be required to complete a Declaration of Interests at Meetings form detailing the nature of their interest.*

- |    |   |         |     |
|----|---|---------|-----|
| 2. | Minutes of the Last Meeting held on 10th March 2016           | 1 - 6   | All |
| 3. | Audit and Corporate Governance Committee - Terms of Reference | 7 - 12  | All |
| 4. | Quarter 4 Governance Report                                   | 13 - 60 | All |
| 5. | External Audit Fee Letter                                     | 61 - 66 | All |

**MATTERS FOR INFORMATION**

- |    |  |          |     |
|----|--|----------|-----|
| 6. | Provisional Financial and Performance Outturn Report: 2015-16 Financial Year | 67 - 88  | All |
| 7. | Treasury Management Strategy 2016-17   | 89 – 110 | All |
| 8. | Date of Next Meeting - 29 September 2016                                     |          |     |

**Press and Public**

You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before the Committee considers any items in the Part II agenda. Please contact the Democratic Services Officer shown above for further details.

The Council allows the filming, recording and photographing at its meetings that are open to the public. Anyone proposing to film, record or take photographs of a meeting is requested to advise the Democratic Services Officer before the start of the meeting. Filming or recording must be overt and persons filming should not move around the meeting room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non hand held devices, including tripods, will not be allowed unless this has been discussed with the Democratic Services Officer.



**Audit and Corporate Governance Committee – Meeting held on Thursday, 10th March, 2016.**

**Present:-** Councillors Chohan (Chair), Matloob (Vice-Chair), Ajaib, Amarpreet Dhaliwal, Mansoor, Nazir and Sandhu

**Co-opted Independent Members:-**

Mr Davies, Mr Roberts and Mr Sunderland

**Parish Council Member:-**

Councillor Bryant (Colnbrook with Poyle)

**Apologies for Absence:-** Mr Kwatra

**PART 1**

**28. Declarations of Interest**

None were received.

**29. Minutes of the Last Meeting held on 10 December 2015**

**Resolved** – That the minutes of the meeting held on 10 December 2015 be approved as a correct record.

**30. Localism Act 2011 - Dispensations**

The Monitoring Officer reminded the Committee that the Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 introduced Disclosable Pecuniary Interests (DPIs) and new rules on dispensations as part of the new conduct arrangements. It was a criminal offence for members to fail to register a DPI or to speak and/or vote where they have a DPI unless they had obtained a dispensation.

It was explained that the Localism Act provided that a member who had a DPI in any matter to be considered at a meeting may not participate in any discussion, or vote on the matter and that if they do so they will effectively be both breaching the Code of Conduct and also committing an offence. However, the Localism Act had provisions for a Local Authority to, on a written request by a member, grant a dispensation relieving the member from either or both of the restrictions.

Committee Members were reminded that the Council had delegated the power to grant dispensations to members and co-opted members in accordance with section 33 of the Localism Act 2011 to the Monitoring Officer; with a requirement to report any dispensations granted to the next meeting of the Council. A dispensation would allow members and co-opted members to be present, take part in debate and vote on any item in which they had a DPI.

The Monitoring Officer explained that in order to protect Members it was recommended that a general dispensation be granted to all Members to be present, speak and vote where they would otherwise have a DPI; on the grounds that it was appropriate to grant a dispensation to allow all Members to participate fully in certain matters. It was explained that the exceptions related to matters concerning housing, school meals or school transport, housing benefit, members allowances, setting the council tax or a precept and decisions in relation to Council tax benefit; and further information regarding these exceptions were detailed within the agenda report.

It was recommended that the general dispensation apply until the next election (May 2016) and that the Council give consideration to granting general dispensations annually at its annual meeting.

It was clarified that dispensations for Council Tax related to Members' DPIs, and did not affect a Member's obligation under Section 106 of the Local Government Finance Act 1992 to declare and not vote if they were two months or more in arrears with their Council Tax when voting on setting the Council's budget.

In considering the report, Members sought clarity regarding the requirement of a notice period (if any) when seeking a dispensation and whether it could be issued at meetings. It was also queried whether a database would be maintained recording dispensations granted and once granted, how long the dispensation(s) remained in effect.

The Monitoring Officer stated that any grant of a dispensation would specify how long it lasted for and in any event would only be in effect up to a maximum of 4 years.

Information relating to notice period required, the issuing of dispensations at meetings and maintaining a database of dispensations granted would be circulated to Committee Members. It was noted that the Monitoring Officer was required to report any dispensations granted to the next meeting of the Council.

**Recommended to Council –**

- (a) That a general dispensation be granted to all members and co-opted members of the Council as set out in paragraph 5.7 of the report;
- (b) That the general dispensation be effective up until the next Council elections (May 2016);
- (c) That the grant of general dispensations be considered annually at the annual council meeting;

- (d) That the Monitoring officer be authorised to make any consequent changes to the Code of Conduct to reflect the Council's decision

### **31. Quarter 3 Governance Update**

The Assistant Director, Audit and Finance provided Members with a Quarter 3 Governance Update. It was noted that the overall internal audit reports continued to be finalised at an effective rate and of the 2014-15 internal audits, all had been completed.

The Committee were informed that there was no fraud activity with a value of over £10,000 to report.

Details of amendments made to the Corporate Risk Register were outlined as:

- Removal of transition to the new Children's Trust from the risk register.
- A new corporate risk had been added that reflected the need to monitor the Children's Trust to ensure it delivered the required service improvements.
- The Better Care Fund risk had been amalgamated into the "Failure to deliver a Balanced Budget" risk.

Details of the Internal Audit Plan for 2016/17 were highlighted. Development of the Plan was based on the Council's objectives within the Five Year Plan and specifically Outcome 1 (the Council's income and value of its assets will be maximised), Outcome 2 (there will be more homes in the borough, with quality improving across all tenures to support our ambition for Slough) and Outcome 3 (the Council will be a leading digital transformation organisation). A Member requested further details regarding the audit of the Contract Lettings Review. Members were informed that RSM would be appointing their Contract Management Specialist Team to provide specialist input and advisory reviews in this area for the Council.

- Resolved** – a) That the Quarter 3 Governance Update be noted.  
b) That the Internal Audit Plan 2016/17 be approved.

### **32. External Audit Report 2015/16**

The Council was required to have an external audit every year and Members considered details of the External Audit Report 2015/16.

The 2015-16 plan sets out the key areas that BDO, the Council's appointed external auditors, would be examining during their interim audit. Although the last year's financial statements were approved by the Section 151 Officer and the external auditor in line with timescales, there was still further work to be done to improve the Council's closure procedures further. In 2014-15, the

Council's Value for Money was qualified in respect of Children's Social Care services.

The 2015-16 planning letter highlighted a high level overview of the audit plan along with indicative fees. These show a reduction of £42k due to the Audit Commission's re-procurement exercise for the 2015-18 external audits. BDO will remain the Council's external auditor over this period.

A number of issues were raised in the ensuing discussion including the cost of the internal auditors and any potential savings that had been identified via internal audit. The Committee were informed that there had been a year on year reduction in the fee charged by Internal Auditors, RSM, and that significant savings had been achieved by the Council as a result of the work carried out by RSM.

In response to whether Internal Audit had analysed the Council's major contracts, it was explained that management of a number of key contracts had been undertaken, following which a number of recommendations were made in order to achieve value for money. The Assistant Director, Procurement and Commercial Services informed Members that officers were in the process of examining the systems and processes that were in place to scrutinise contracts in an effective and consistent manner. The future functions, benefits of outsourcing and managing contracts effectively would be discussed at an Environmental Services Contract Working Review meeting scheduled for 22 March 2016. It was noted that greater control regarding management of contracts was only possible if there had been effective procurement and commissioning in the first instance.

A Member queried the Council's latest financial position and progress with working with schools. The Assistant Director, Audit and Finance, stated that the Council had an overspend of £350k as at month 10. It was explained that a number of measures had mitigated an otherwise higher overspend, including an increase of £800k generated from Business Rates in respect of the Government's measures from the Autumn Statement and £250k income from the Strategic Asset Purchase Programme.

**Resolved –** That the External Audit Plans be approved.

**33. Audit of the Government Accounts Data Collection Tool - Year Ended 31 March 2015**

Details of the Audit of the Whole of Government Accounts (WGA) Data Collection Tool (DCT) prepared by the Council were outlined. External Auditors, BDO, were required to check the consistency of the WGA return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.

The Council submitted its draft DCT to the Department of Communities and Local Government (DCLG) on 14 August 2015. DCLG identified some missing

cash flow data and a few anomalies in its preliminary review of the DCT and requested that the Council provide a revised DCT. A revised DCT was submitted on 19 August 2015.

The revised draft DCT was subsequently amended to take account of audit adjustments to the financial statements and a revised version was submitted for audit on 2 October 2015, which was later than the agreed date of 21 September 2015. Following an audit of the revised draft DCT, the final audited DCT was submitted to DCLG on 27 November 2015.

BDO concluded that the arrangements currently in place did not support the timely compilation of an accurate and compliant DCT nor of accurate and complete working papers to support the entries made. A number of recommendations were made to address the shortcomings including:

- Management to review and improve the Council's processes and controls for preparing the consolidation pack.
- Management to review and improve the Council's processes and controls for identifying counter party transactions, particularly in respect of revenue grants received and debtor and creditor balances.
- Management to ensure that appropriate working papers are provided to support the DCT that is submitted for audit.

A Member queried why there had been a delay in providing information to BDO and what assurances there were that a similar situation would not occur again. It was explained that due to a number of inaccuracies, there had been a delay in submitting the information to BDO and that the council was working in conjunction with BDO to implement the recommendations as outlined.

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

**34. Members Attendance Record**

**Resolved** – That details of the Members Attendance record be noted.

**35. Date of Next Meeting - 12th July 2016**

The date of the next meeting was confirmed as 12 July 2016.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.31 pm)

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ARTICLE 10 – AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Council will appoint an Audit and Corporate Governance Committee

1. Statement of Purpose

The purpose of this Committee is to

- promote and maintain high standards of conduct by Members
- provide independent assurance of the adequacy of the risk management framework and the associated control environment
- independently scrutinise the authority’s financial and non-financial performance, to the extent that it affects the authority’s exposure to risk and weakens the control environment and to oversee the financial reporting process
- approve the financial statements
- approve the Annual Governance Statement.

Terms of Reference

2. Within the Terms of Reference of the Committee it will be

- the member forum for external audit matters, approving the financial statements on behalf of the full Council
- the member forum for ethical framework matters
- the member forum for internal audit matters
- a key element of the internal control framework for the Council and take responsibility for the approval of the Annual Governance Statement on behalf of the full Council
- be the member forum for risk management matters
- be the member forum for corporate governance matters.

Membership

3 The Committee is subject to the provisions of the Local Government Access to Information Act 1985.

4 The Committee will comprise\*:

Seven councillors (politically balanced) (not the Leader, Mayor and Deputy Mayor, Chairs and Vice Chairs of Planning and Licensing Committee and Group Leaders\*)  
Up to four co-opted (non-voting) independent members from outside the Council with suitable experience

The Council’s Independent Person (as an observer).

\* executive members limited to one

\* one Member from each of the three Parish Councils in the Borough to be invited to attend and speak at the Committee if it is considering a report relating to material changes to the Code of Conduct

In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit and Corporate Governance Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

The Chair of the Committee will be an elected Member of the Council

### Working Arrangements

- 5 That Committee will meet four or more times per year.
- 6 The quorum of the Committee shall be a minimum of three voting members of the committee.
- 7 The Committee will be subject to the statutory access to information provisions. The press and public may be excluded and papers withheld from access only if they meet statutory definitions of exempt or confidential information.
- 8 All Members of the Council and members of the press and public can attend the Committee when it is discussing business in Part I of the agenda. When the Committee is discussing exempt or confidential information (Part II) only Members of the Committee and Members of the Council (with the consent of the Committee given by majority resolution) can attend.
- 9 The Committee will appoint a Standards and Determination Sub Committee to
  - determine complaints following an investigation; and
  - give detailed consideration to revisions to the Code of Conduct as necessary for recommendation to the Committee.
- 10 The Committee and its Sub Committee may require Members of the Council and Officers of the Authority to attend before it to answer questions.
- 11 The Committee and its Sub Committee may require the production of any document or record in the possession of the Council to be submitted to it, unless to do so would involve a breach of data protection or other statutory provisions.
- 12 The Committee may require the Monitoring Officer or his/her nominee to investigate on its behalf allegations of impropriety referred to the Committee.

### Specific Functions

The Committee's specific functions shall include but not be limited to

- 13 External Audit
  - To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
  - To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
  - To consider and comment on any plans of the external auditors
  - To comment on the scope and depth of the external audit work and to ensure it gives value for money
  - To consider any other reports by the external auditors
  - To liaise with the appointed body over the appointment of the Council's external auditor

#### 14 Internal Audit

- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils corporate governance, risk management and control arrangements
- To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
- To consider and approve the annual Internal Audit plan ensuring that there is sufficient and appropriate coverage
- To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
- To contribute to the annual audit plan
- To comment on the scope and depth of the internal audit work and to ensure it gives value for money
- To consider any other reports the Chief Internal Auditor may make to the Committee.

#### 15 Internal Control

- To approve the adoption of the Annual Governance Statement to the Council
- To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.

#### 16 Risk Management

- To approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
- To ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment
- To review the Council's risk register

#### 17 Governance

- To consider the arrangements for corporate governance and to make appropriate recommendations to ensure corporate governance meets appropriate standards
- To consider the Council's compliance with its own and other published standards and controls
- To review any issues of governance referred to the Committee by internal or external audit
- To take ownership of the Protocol on referring Matters to the External Auditor
- To review the Anti-Fraud and Corruption policy

##### Standards and Ethical Framework

- (a) To promote and maintain high standards of conduct by Members, (i.e. Elected and Co-opted).
- (b) To assist Members to observe the Council's Ethical Framework including the Code of Conduct.

- (c) To advise the Council on the adoption or revision of the Council's Ethical Framework including the Code of Conduct.
- (d) To monitor the operation of the Council's Ethical Framework including the Code of Conduct.
- (e) To advise, train or arrange to train Members on matters relating to the Council's Ethical Framework including the Code of Conduct.
- (f) To determine written complaints made against a Member (including a Parish Council Member) alleging a breach of the Code of Conduct and taking any action that is deemed appropriate and permitted under the Localism Act 2011 and Regulations thereunder.
- (g) To exercise of (a) to (f) above in relation to the Parish Councils wholly or mainly in its area and the Members of those Parish Councils.
- (h) To keep under review and make recommendations to the Council on the Whistle-Blowing Policy and Procedure.
- (i) To put in place and keep under review arrangements for monitoring Members' performance.
- (j) To receive and consider reports on individual Members' performance.
- (k) To decide any requests from a Member or Officer for indemnity as set out in the Council's adopted Policy on Terms of Indemnity.

18 Other

- (a) To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary.
- (b) To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted.
- (c) To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.
- (d) The Committee shall, in conjunction with the Monitoring Officer and Chief Finance Officer, produce an Annual Review of work completed and proposed and report on an exception basis through the Performance Report for Cabinet.

19 The terms of reference of the Committee shall be reviewed annually.

## **Standards Determination Sub-Committee**

### **1. Terms of Reference**

The Sub-Committee is established to

- determine complaints following an investigation.
- give detailed consideration to revisions to the Code of Conduct as necessary for recommendation to the Committee.

### **2. Following a hearing the Sub-Committee will make one of the following findings:**

- (a) That the Member who was the subject of the hearing had not failed to comply with the Code of Conduct of the relevant Authority concerned;
- (b) That the Member who was the subject of the hearing had failed to comply with the Code of Conduct of the relevant Authority concerned, but that no action needs to be taken in respect of the matters which were considered at the hearing; or
- (c) That the Member who was the subject of the hearing had failed to comply with the Code of Conduct of the relevant Authority concerned and that a sanction should be imposed.

### **3. If the Sub-Committee makes a finding under paragraph 2(c) in respect of a person who is no longer a Member of any authority that the Committee has responsibility for it shall censure that person.**

### **4. If the Sub-Committee makes a finding under paragraph 2(c) in respect of a person who is a serving Member of any authority that the Committee has responsibility for, it shall impose any of, or a combination of, the following sanctions:**

- (a) censure of that Member
- (b) restriction for a period not exceeding six months of that Member's access to the premises of the relevant Authority or the resources of the relevant Authority provided that those restrictions:
  - i. are reasonable and proportionate to the nature of the breach;
  - ii. do not unduly restrict the person's ability to perform the functions of a Member.
- (c) that the Member submits a written apology in a form specified by the Sub-Committee;
- (d) that the Member undertakes such training as the Sub-Committee specifies;
- (e) that the Member participate in such conciliation as the Sub-Committee specifies.

### **5. Appointment and Composition of the Sub-Committee**

- (a) The Sub Committee will be convened as necessary from the membership of the Audit and Corporate Governance Committee. The Sub-Committee will therefore not have a fixed membership.

- (b) The Sub-Committee shall comprise five Members, of whom a maximum of three shall be elected members drawn on a politically proportionate basis, wherever possible. If an opposition Member is not available, the three Members will be appointed from the same political party. No more than two should be Co-Opted Independent Members of the Audit and Corporate Governance Committee.
- (c) The Sub-Committee shall elect a Chair at each hearing/meeting. The Chair will be an elected Councillor.
- (d) The appointment and composition of the Sub-Committee shall increase to include a Parish Member (observer) of the Audit and Corporate Governance Committee where the Sub-Committee is considering a report or recommendations that relate to a Parish Council Member.

## 6 **Quorum**

The quorum for a meeting of the Sub-Committee shall be three Members, two of whom must be elected Members and at least one Independent Member. When considering a matter relating to the conduct of a Member as Parish Councillor at least one Parish Council representative shall also be present.

## 7 **Frequency of Meetings**

The Sub-Committee shall meet as and when required to enable it to undertake its functions.

**SLOUGH BOROUGH COUNCIL**

**REPORT TO: Audit & Corporate Governance Committee DATE: 12<sup>th</sup> July 2016**

**CONTACT OFFICER:** Joseph Holmes; Assistant Director, Audit & Finance  
**(For all enquiries)** (01753) 875358

**WARD(S):** All

**PART I**  
**FOR DECISION**

**Audit & Risk Management Update – Quarter 4 2015-16 & approval of the Annual Governance Statement**

**1 Purpose of Report**

The purpose of this report is to:

- Report to members on the progress against the 2015/16 Internal Audit Plan up to Quarter 4 and the Head of Internal Audit Opinion for the financial year
- To approve the Annual Governance Statement
- Report to members on the progress of the implementation of Internal Audit recommendations
- Report to members the Council's latest counter-fraud activity
- Report to members the Council's Risk Register

**2 Recommendation(s)/Proposed Action**

- a) That the Audit & Corporate Governance Committee comment on and note the reports.
- b) That the Annual Governance Statement for 2015-16 be approved.

**3 The Slough Joint Wellbeing Strategy, JSNA and the Five Year Plan**

The actions contained within the attached reports contribute to the outcomes contained within the Five Year Plan.

**4 Other Implications**

4.1 Financial

None other than those detailed in the internal audit reports

4.2 Risk Management

This report concerns risk management across the Council

4.3 Human Rights Act and Other Legal Implications

n/a

4.4 Equalities Impact Assessment

There is no identified need for an EIA

**5 Supporting Information**

5.1 Overview

5.1.1 RSM, as the Council's internal auditor have concluded that the Council audit opinion for the financial year is per the below, which is overall positive opinion.

**Head of internal audit opinion 2015/2016**

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further improvements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

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5.1.2 The overall Internal audit reports have continued to be finalised at a more appropriate rate than in the previous financial years. To date, there have been no red opinions on key financial systems or areas that would have a material impact on the Head if Internal Audit's opinion; indeed, there have been a number of green and amber-green audits overall.

5.1.3 The Annual Governance Statement is attached and is requested for approval. This sets out the key risks and improvements in governance required for the year ahead and for the previous twelve months. Members are asked to consider and review this documents for approval to the external auditors as part of their audit of the Council's financial statements. See appendix C.

5.2 Internal Audit Q4 2015-16 progress report

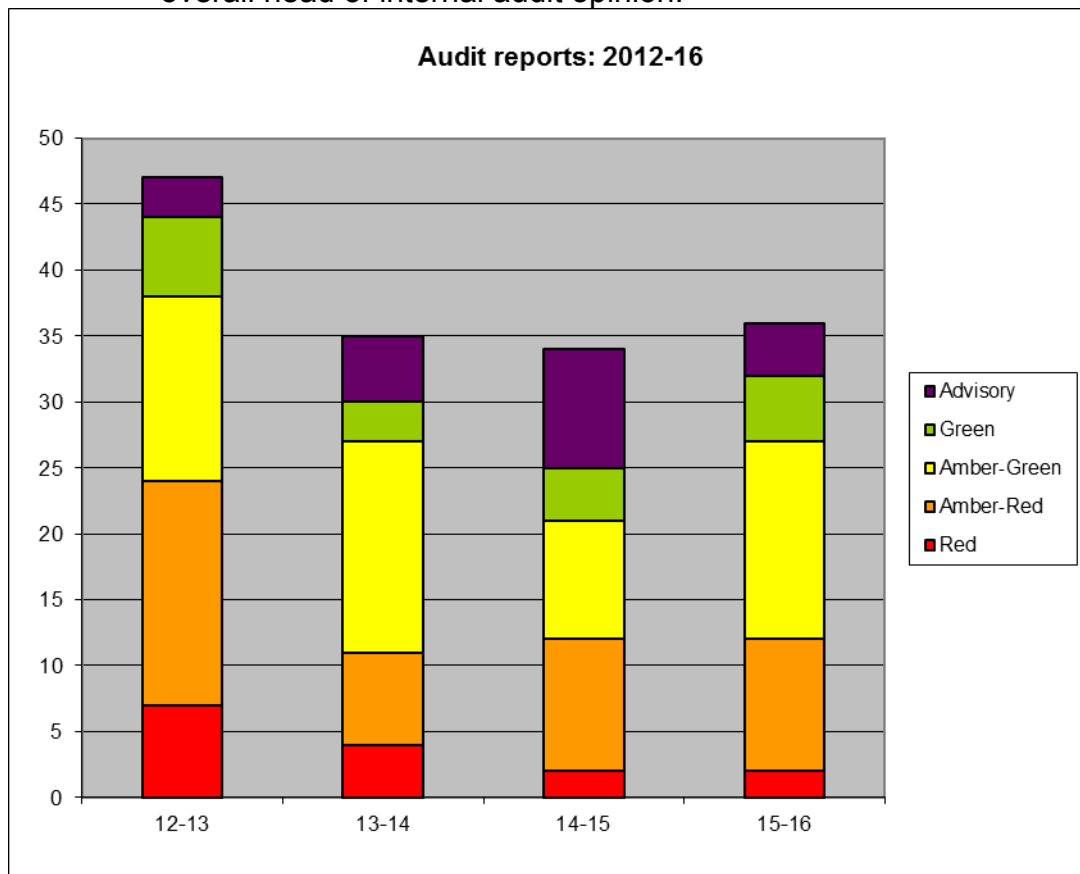
5.2.1 The internal audit plan for 2015-16 was set very much with a focus on addressing identified risks. As RSM have had three years of experience at the Council, management and the audit & corporate governance have focussed the internal audit resource very much towards areas of risk; for example focussing increasingly around contract management and areas of weaker assurance from recent audits.

5.2.2 The full report is attached at appendix A. This summarises the full year's audits for the Committee, so many of these have been presented in further detail at previous meetings.



5.2.3 The Council need to gain assurance over those areas in 2016-17 that the recommendations are being followed up, and that for recurrent audits, that these are reducing. The follow-up audits and audit tracker will be used to monitor this during the coming year and RSM have completed a follow up audit.

5.2.4 Overall, compared to the previous years there have been an increase in the proportion of green and amber-green audit reports. There have been two red reports, though neither of these have a substantial impact on the overall head of internal audit opinion.



5.2.5 For the Head of Internal Audit opinion, there are no negative opinions (i.e. a lack of assurance) for key financial or business critical systems.

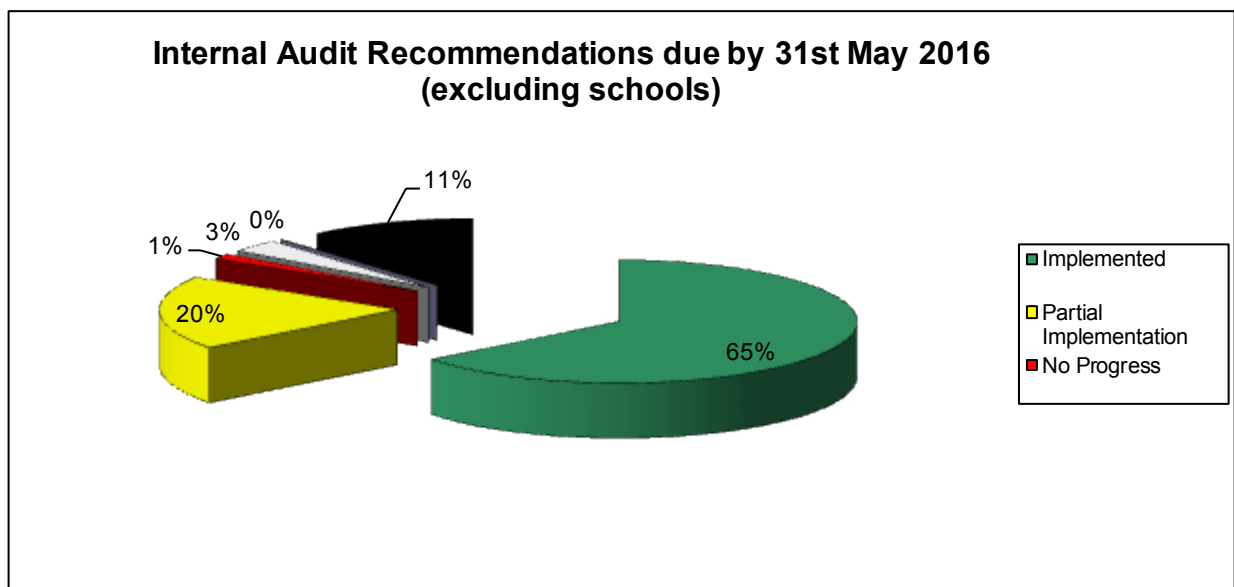
### 5.3 Finalising Internal Audit Reports

5.3.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at 30<sup>th</sup> June 2016. The Committee has raised concerns about the speed of school's audits being finalised on time. The schools with a long response time were written to by the previous Chair of the Committee. Where the committee feels responses are still lacking, the committee can request that the Chair of Governors attend the committee to respond to the Committee's concern. In recent months, schools audit have been responded to in a prompt fashion.

Audit Title	Responses due	Client sponsor	Rating
Rent accounts 28 15 16	23 March 2016	Joseph Holmes	Amber Green
Asset Register 29 15 16	07 April 2016	Joseph Holmes / Joe Carter	Amber Red
Five Year Plan Outcomes 33 15 16	24 May 2016	Joseph Holmes	Amber Green
Khalsa Primary School	6 June 2016	Krutika Pau	Amber Green
Governance	14 June	Joseph Holmes / Tracy Luck	Amber Green
Business Continuity and IT Disaster recovery 34 15 16	31 May 2016	Simon Pallett	Amber Red

5.3.2 The Risk and Insurance Officer regularly monitors the progress of the implementation of “high” or “medium” recommendations made following Internal Audit reports. Below is a graph that shows the percentage of recommendations that have either been implemented, are in progress, no action has been taken, or the recommendation has been superseded.

5.3.4 The number of implemented recommendations has declined since the previous meeting to 65% progressed in full implementation



5.3.5 The number of implemented recommendations has decreased to 65%, (this is down on the 74% at the previous audit committee).

5.3.6 The table below details those audits where recommendations are still outstanding or where requests for information has not been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
<b>Corporate Reports</b>		
avarto phase II contract management	2	1
avarto performance management	1	2
Educational Services - Contract Arrangements	0	1
Budgetary Control including Savings Plan Monitoring	0	3
General Ledger	0	1
Slough Community Leisure	0	1
<b>Sub Total</b>	<b>3</b>	<b>9</b>
<b>Schools</b>		
Pippins	0	1
Khalsa	0	2
Our of Peace Primary	0	2
<b>Total</b>	<b>3</b>	<b>14</b>

## 5.5 Fraud Update

5.5.1 Every year the Council is required to report all fraud activity with a value over £10,000. The Council provides this summary on a quarterly basis to the Audit & Risk Committee. Three fraud activities recorded in excess of £10,000 for Q4 2014/15. Details:

- Fraudulent tenancy of SBC property from December 2005.
- SBC V Ralhan, Raj Rani - Benefit fraud prosecution – conviction – loss to SBC £59,000.
- HB Fraud to value of £14,161.25

5.5.2 The Corporate Fraud Team received 80 investigation referrals of which, the DWP have made 53 requests to SBC for investigation material relating to suspected housing benefit fraud. The requests require an SBC investigator to review and provided the necessary evidence, and where appropriate, submit a case report to benefits, requesting suspension and the creation of overpayments.

5.5.3 Corporate fraud investigations have been working closely with housing regarding tenancy and right to buy fraud. A meeting is attended every two weeks by relevant stakeholders; a RTB officer, the housing investigator and the fraud manager. The increased data sharing and escalations for fraud have resulted in SBC recovering three properties, a total of fifteen for the year. Further criminal enquiries are ongoing into one case.

In total the Fraud Team has administered 41 investigation sanctions as follows:

- One internal discipline resulting in dismissal.
- One prosecution for benefit fraud.
- One caution for tenancy fraud
- Ten Administrative penalties for Council Tax Support Fraud
- Twenty Eight Administrative Penalties jointly agreed with the DWP for Housing Benefit Fraud.

**5.5.4** The service has recently received the National Fraud Investigation (NFI) data matches and has disseminated these for further review across the Council.

## **5.6 Corporate Risk Register**

5.6.1 The Corporate Risk Register is included within appendix B. The Audit Committee are asked to review the risk register and provide any comments back through the CMT.

5.6.2 Below is a diagram that illustrates the make up of the corporate risk register and the risk ranking There have been no major amendments to the risk register since the last meeting



**6 Comments of Other Committees**

n/a

**7 Conclusion**

That the Audit Committee notes the latest updates from Internal Audit and External Audit

**8 Appendices Attached**

- 'A' - Internal Audit Q4 2015-16 progress report and opinion
- 'B' - Corporate Risk Register
- 'C' - Annual Governance Statement

**9 Background Papers**

RSM Audit Reports

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# SLOUGH BOROUGH COUNCIL

Annual internal audit report 2015/2016

31 May 2016





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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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# 1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

## 1.1 The opinion

For the 12 months ended 31 March 2016, the Head of Internal Audit Opinion for Slough Borough Council is as follows:

### Head of internal audit opinion 2015/2016

**The organisation has an adequate and effective framework for risk management, governance and internal control.**

**However, our work has identified further improvements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.**

---

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

## 1.2 Scope of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Corporate Governance committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the Council takes into account in making its annual governance statement (AGS). It should be noted however that our audit of risk management was only able to provide partial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied. The reason for this opinion was due to weakness in the quality of recording of risks on the Corporate and Directorate Risk Registers together with the identification and reporting on assurances that risks are effectively managed.

## 1.3 Factors and findings which have informed our opinion

Of the 31 reports where a formal opinion has been provided, we have provided substantial (green) assurance in five cases and a reasonable (amber green) assurance level in a further 15 reports. These audits included Budget Setting including Savings Plan Development, Better Care Fund, Commissioning (Voluntary and Community Sector), Recruitment, Budgetary Control and Financial Reporting, Payroll, Capital Expenditure, Governance, Implementation of the Care Action and Five Year Plan Outcomes together with five schools. This demonstrates that there a number of key areas of the Council's business where controls were found to be operating effectively.

Our final review for 2015/16 remains in progress (IT Strategy) and our final annual opinion will be subject to the outcome of that review. However we are not aware of any significant issues which have arisen during our fieldwork which would adversely affect our annual opinion, and whilst there are some areas for improvement, these do not represent significant control weaknesses that would negatively impact of overall control opinion.

There were however two audits where we issued a no assurance (RED) opinion:

**Matrix – Management of Agency Staff (RED):** The Council did not have in place an effective system for the approval of usage of agency workers together with the management of agency contracts. The Council may not therefore be able to ensure that approved agency workers are only used where appropriate, that contracts are being effectively managed and value for money is being achieved. *(report still in draft)*

**Hire of Council Buildings (RED):** We identified issues with a lack of an adequate policy framework to govern the hiring of Council buildings and the non-application of certain charging policies.

In addition to the above, the following reports were issued with a partial (AMBER RED) assurance opinion. While these are partial assurance opinions they are classified as positive opinions though some areas of significant control weakness requiring improvement were identified as detailed below

**Adult Safeguarding:** Inaccuracies were identified as part of audit testing on data entered on to the Liquid Logic Integrated Adult Services (IAS) system together with the case monitoring spreadsheet and as a result it was not possible to provide assurance that effective systems were in place to monitor the progression of adult safeguarding cases. In addition, testing also identified a number of policies and procedures used by the Council were in need of updating.

**Data Migration (ERP):** Evidence was not provided in all instances to demonstrate that key tasks had been completed in accordance with the project plan relating to data migration prior to go live. As such we were unable to provide assurance that these actions had been completed.

**Risk Management:** As detailed within section 1.2 above, we were only able to provide partial assurance over the effectiveness of controls in place over the Council's Risk Management system due to weaknesses identified in the processes for the documentation of risk and the mechanisms in place for gaining assurance over the management of these risks. *(report still in draft)*

**Business Continuity and IT Disaster Recovery:** An updated IT based contingency recovery planning framework had not been introduced in line with the implementation of the new IT DR infrastructure. In particular, an updated business impact analysis and systems recovery prioritisation schedule had not been developed and introduced. The Council may not therefore be aware of the impact of an IT system failure on the conduct of business and to ensure systems are recovered in order of priority. *(report still in draft)*

**Asset Register:** Weaknesses were identified in the approval and recording of asset addition and disposals/transfers on the asset register, together with an asset verification exercise not being undertaken. As a result, assurance could not be provided that information held on the asset register was accurate. *(report still in draft)*

**Creditors:** Verification checks were not being undertaken to confirm the validity of changes to the Supplier Masterfile together with limited use being made of the purchase order system to raise orders to ensure that adequate budget was available prior to expenditure being committed. *(report still in draft)*

**Treasury Management:** We identified a lack of timely bank account reconciliations, together with an investigation of differences between the bank statements and cash book. Further improvements were required in relation to the Councils cash flow forecasts. *(report still in draft)*

**Cash Handling:** Weaknesses were identified in the way that cash is managed and recorded at a number of different sites.

**Income and Debtors:** Prompt action had not been taken to address weaknesses in the amounts of car parking income banked against amounts recorded on banking sheets and bank statements. *(report still in draft)*

**Chalvey Early Years Centre:** The school had not obtained the required number of quotes for a sample of purchases together with the asset register not being maintained. As a result the school may not be ensuring value for money is obtained for their purchases together with accurately maintaining a record of all assets held.

In addition to the above we also undertook a number of advisory reviews, for example contract audit reviews and SFVS where no formal assurance opinions were given. However, a number of management actions have been agreed to address some of the issues identified within these reviews. In addition, we have also undertaken follow up work to provide assurance that internal audit actions are being implemented and further detail on this is provided in 2.2 below. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

## **1.4 Topics judged relevant for consideration as part of the annual governance statement**

Whilst no significant control weaknesses were identified as part of our Internal Audit work during 2015/16 we would expect the Council to consider in the formulation of the 2015/16 AGS, the internal control weaknesses identified along with the improvements undertaken in the year in relation to our risk management, Matrix – management of agency staff, adult safeguarding and the asset register. We have highlighted to the Council as part of our work to support the preparation of the AGS those areas which require inclusion within this document.

## 2 THE BASIS OF OUR INTERNAL AUDIT OPINION

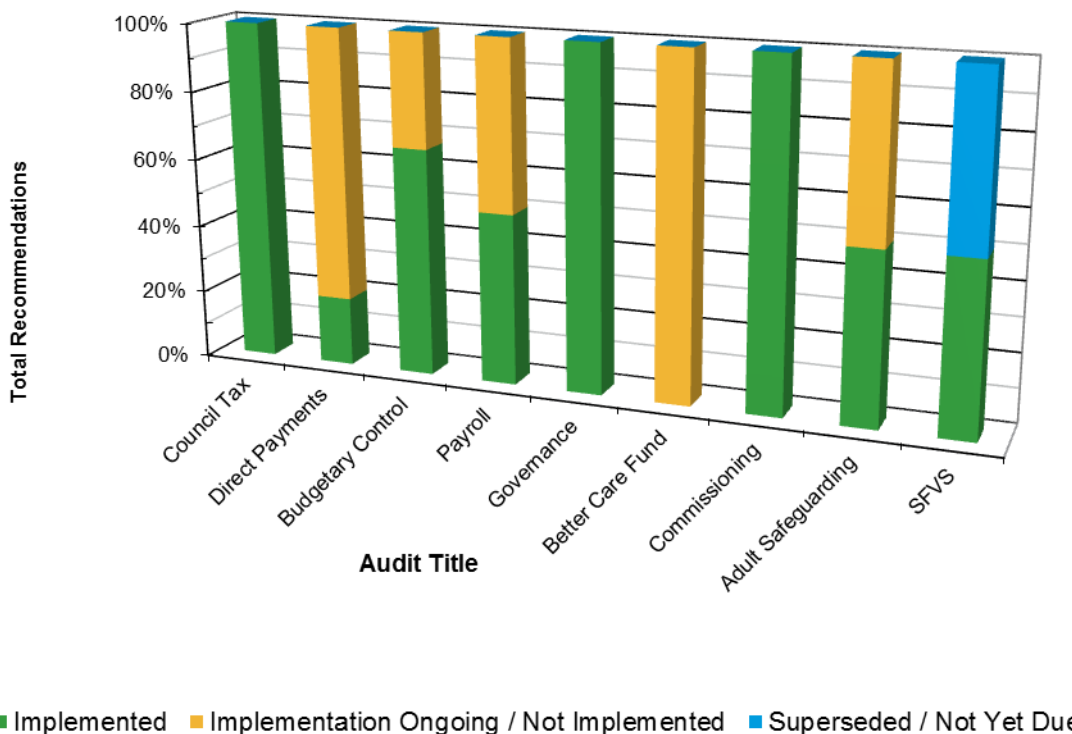
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

### 2.1 Acceptance of internal audit findings

Management have agreed actions to address all of the findings reported by the internal audit service during 2015/2016. At the time of the production of this report 16 reports remained at the draft stage, although we have been provided with verbal assurance as part of the debrief meeting process that the findings from our audits have been accepted. Whilst the finalisation of draft reports by the Council has improved in comparison to previous years there is a need to ensure that all draft reports are responded to in a timely manner to enable their finalisation and provide comfort that actions have been assigned to relevant officers and will be implemented within an acceptable timeline.

### 2.2 Implementation of internal audit recommendations

Our follow up of the actions agreed to address internal audit findings from the audits below (selected for review as the due dates for these actions had all passed) showed that the organisation had made **little progress** in implementing the agreed actions.



Although 14 of the 25 original management actions had been fully implemented (56% of total) 2 high priority actions remained outstanding at the time of our audit and 44% of the actions reviewed (which related to high and medium priority weaknesses) had not been fully implemented. Of particular concern was the Better Care Fund, where none of the actions had been implemented by their planned due date.

### **2.3 Working with other assurance providers**

In forming our opinion we have not placed any direct reliance on other assurance providers. In addition, we have also agreed with the Council not to provide assurance over Children's Services: it was agreed with the Council that assurance would not be provided on this area due to the transfer of this service into a new organisation (Slough Children's Services Trust) from the 1<sup>st</sup> October 2015;

## 3 OUR PERFORMANCE

### 3.1 Wider value adding delivery

As part of our client service commitment, during 2015/16 we issued 6 news bulletins to our local authority clients which provided a summary of Local Government issues identified within the sector across our wider client base and shared a number of these with the Council.

We have attended meetings of the Risk Management Group to provide continued challenge and assistance in the development of the Council's risk management processes. We have worked with the Risk and Insurance Officer to improve the format and description of risks documented with the Corporate Risk Register. As part of this group, senior management represented by Assistant Directors within the Council are briefed on the key issues within final reports where only partial or no assurance can be provided.

The Head of Internal Audit has continued to meet with the Assistant Director, Finance and Audit regularly throughout the year, and the Chief Executive on a quarterly basis to ensure that they are kept apprised of the key issues emerging from our audits and from issues identified in our wider local government and public sector client base, together with progress in the delivery of the audit plan.

As part of the implementation of Agresso, we have attended project board meetings for the ERP project, providing a 'critical friend' presence together with undertaking an audit on the data migration arrangements prior to the project go-live.

We are undertaking an advisory review of contract management within the Council to provide options as to the future shape of contract management within the organisation. This review is being undertaken by our contract management specialists. As part of the above work, we have provided contract management workshops to specific projects such as the RMI project in relation to how to manage contracts which are currently in the process of being re-procured.

We have continued to attend Directorate SMT meetings on quarterly basis to ensure that they are kept apprised of current Internal Audit findings, together with planned reviews in the future. Together with the Risk and Insurance Officer for the Council, a summary of outstanding recommendations from previous audits are also reviewed at each of these meetings, along with the relevant Directorate Risk Register.

We have attended each meeting of the Berkshire Audit Group to ensure that we are kept informed of local issues within other Councils that may impact on our audit plan.

### 3.2 Conflicts of interest

Our Fraud Solutions team have undertaken some work on behalf of the Council during 2015/16. This work has been undertaken under a separate letter of engagement and has been subject to independent quality assurance processes through our fraud solutions team. Furthermore our Contract Risk team have also undertaken an open book review, this was also subject to the same safeguards noted above.

We (RSM) do not consider that any of the above work would lead us to declare any conflict of interests as all of this work carried out under separate engagement letters, teams and engagement partners.

### **3.3 Conformance with internal auditing standards**

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”. Work is in hand to arrange our next review.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

## APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

### Annual opinions

The organisation has an adequate and effective framework for risk management, governance and internal control.

---

The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further improvements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

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There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

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The organisation does not have an adequate framework of risk management, governance or internal control.




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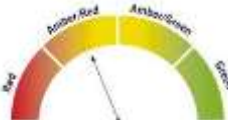
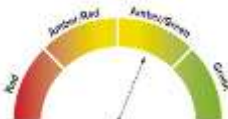
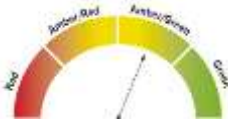
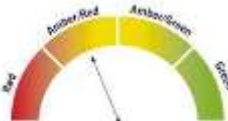


## APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2015/2016




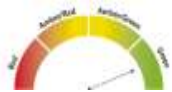
Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Troubled Families (May Submission) (1.15/16)	Jane Morton, Head of Service, Early Help	Advisory		-	
Penwood Primary and Nursery School (2.15/16)	Krutika Pau – Interim Director, Children’s Services		0	0	2
Budget Setting including Savings Plan Development (3.15/16)	Joseph Holmes - Assistant Director, Finance and Audit		0	0	1
Employment Tax Follow Up (4.15/16)	Joseph Holmes - Assistant Director, Finance and Audit	Reasonable Progress		-	
Chalvey Early Years Centre (5.15/16)	Krutika Pau – Interim Director, Children’s Services		1	4	3
Better Care Fund (6.15/16)	Alan Sinclair - Interim Director of Adult Social Care		0	3	3
Matrix – Management of Agency Staff (7.15/16) (Draft)	Ruth Bagley - Chief Executive		3	6	5
Schools Financial Value Standard (8.15/16)	Joseph Holmes - Assistant Director, Finance and Audit	Advisory	0	4	1
Hire of Council Buildings (9.15/16)	Roger Parkin - Strategic Director, Customer and Community Services		3	9	0
Pippins School (10.15/16)	Krutika Pau - Interim Director, Children’s Services		0	2	3

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Adult Safeguarding (11.15/16)	Alan Sinclair - Acting Director of Adult Social Services		2	2	4
Commissioning (Voluntary and Community Sector) (12.15/16)	Alan Sinclair - Acting Director, Adult Social Care		0	3	2
Recruitment (13.15/16)	Christina Hefferon – Assistant Director, OD/HR		0	2	2
Council Tax (14 15/16)	Joseph Holmes – Assistant Director, Finance and Audit		0	1	0
Cheque Payments (15.15/16) (Draft)	Joseph Holmes – Assistant Director, Finance and Audit	Advisory	0	1	2
Wexham School (16.15/16) (Draft)	Krutika Pau - Interim Director, Children's Services / Lawrence Smith - Headteacher		1	1	1
Data Migration (17.15/16)	Joseph Holmes – Assistant Director, Finance and Audit		2	1	2
Slough Centre Nursery (18 15/16)	Krutika Pau - Interim Director, Children's Services		0	2	4
Creditors (19.15/16) (Draft)	Joseph Holmes – Assistant Director, Finance and Audit		1	2	1
Treasury Management (20.15/16) (Draft)	Joseph Holmes – Assistant Director, Finance and Audit		1	1	2
Housing Benefits (21.15/16)	Joseph Holmes – Assistant Director, Finance and Audit		0	1	1

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Cash Handling (22.15/16)	Joseph Holmes – Assistant Director, Finance and Audit		1	3	1
Business Rates (23.15/16)	Joseph Holmes - Assistant Director, Finance and Audit		0	1	0
Schools Thematic Review (24. 15/16)	Krutika Pau - Interim Director, Children's Services / Joseph Holmes - Assistant Director, Finance & Audit	Advisory	1	3	2
Budgetary Control and Financial Reporting (25. 15/16)	Joseph Holmes - Assistant Director, Finance and Audit		0	2	1
Payroll (26. 15/16)	Joseph Holmes - Assistant Director, Finance and Audit		0	1	0
Risk Management (27. 15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	8	3
Rent Accounts (28.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	2	2
Asset Register (29.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	6	3
Capital Expenditure (30.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	3	3
General Ledger (31.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	1	2

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Implementation of the Care Act (32.15/16)	Alan Sinclair - Acting Director, Adult Social Care		0	2	1
Five Year Plan Outcomes (33.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		0	2	3
Business Continuity & IT Disaster Recovery (34.15/16) (Draft)	Simon Pallett, IT Service Delivery Manager		1	4	0
Follow Up (35.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit	Little Progress		-	
Khalsa Primary School (36.15/16) (Draft)	Krutika Pau - Interim Director, Children's Services / Raminder Vig - Headteacher		0	2	5
Governance (37.15/16) (Draft)	Ruth Bagley, Chief Executive		0	2	3
Income and Debtors Management (38.15/16) (Draft)	Joseph Holmes - Assistant Director, Finance and Audit		1	2	3

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

None	Partial	Reasonable	Substantial
			
Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.	Taking account of the issues identified, the Board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control	Taking account of the issues identified, the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be	Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating

Urgent action is needed to strengthen the control framework to manage the identified risk(s).

framework to manage the identified risk(s).

addressed in order to ensure that the control framework is effective in managing the identified risk(s).

effectively.

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# FOR FURTHER INFORMATION CONTACT

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Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0021	Failure to Deliver Balanced Budget	<p>Overspending in Children's Social Care.</p> <p>Failure to manage key outsourced contracts such as Amey, avaro and Cambridge Education</p> <p>Inappropriate budgetary monitoring</p> <p>Failure to manage the cost of projects</p> <p>In year reduction in Central Govt funding, (Public Health). This does not leave enough time to reorganise services</p> <p>The Council works with many key strategic partners all of whom have their own agendas and limited access to budgets</p>	<p>Qualified external audit opinion</p> <p>Increased Central Government pressure</p> <p>Damage to reputation</p> <p>Reduction in local Public Health services</p> <p>Lack of joined up working with NHS, leading to greater inefficiencies</p> <p>Lack of assistance an co-operation between public bodies and the Council increases public service risks</p> <p>NHS may feel that the Council is using the "pooled budget" arrangement to mitigate the effect of Council budget reductions and the NHS may reduce it's contribution to the Better Care Fund creating further budget pressures.</p>	24 - Very High	<p>The use of a timetable to produce both management information which is reported throughout the organisation and also to budget holders.</p> <p>A timetable has been produced and communicated to relevant staff, and is being complied with; The accurateness of budgetary information reported to management; The monitoring and reporting of budgets and investigation and explanation of variances where significant variances exist between planned and actual expenditure/income; we also considered the timeliness of information reported to management;</p> <p>The involvement of Budget Holders in regular reviews of financial performance and how the Finance Team liaise with Budget Holders</p> <p>Whether a programme of training has been established for Budget Holders across the organisation; The appropriateness of budget virements</p>	15 - Very High	<p><b>Outcome Based Budgeting to match financial resources to the 5YP, and encourage innovation and new strategies</b></p> <p>Joseph Holmes 31/03/2016</p> <p><b>Monthly Budget Monitoring reported to CMT and C&amp;D</b></p> <p>Joseph Holmes 31/03/2016</p> <p><b>Medium Term Financial Strategy</b></p> <p>Joseph Holmes</p> <p><b>Ensuring adequate levels of financial reserves in line with the s151 officer's guidance</b></p> <p>Joseph Holmes 31/03/2016</p> <p><b>Continue to monitor the progress of BCF projects and BCF Risk Register</b></p> <p>Alan Sinclair 31/03/2016</p>	8 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 38</p>					<p>completed in 2014/15 and whether these are compliant with Financial Procedure Rules;</p> <p>The consistency in the message and information reported to Directorate meetings and CMT;</p> <p>The establishment of a dedicated savings programme which has received approval at an appropriate level of Senior Management;</p> <p>The reporting to Senior Management on the progress of saving scheme and whether these are delivering the targets as proposed or where delays or issues that have arisen, these have been acknowledged and actions taken to improve performance.</p> <p>2014/15 Budgetary Control Audit Report = Amber/Green</p> <p>Better Care Fund agreed.</p> <p>Better Care Fund Fund allocation agreed</p> <p>Contingency identified in case target for hospital admissions</p>			



Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					<p>not met Council to "host" pooled budgets, but risks lay with project owners, (NHS) 12 separate projects to remove clients from hospitals</p> <p>Reports to Wellbeing Board and to Cabinet</p> <p>Ensuring representation on key boards e.g. Wellbeing Board</p> <p>Utilising joint funding opportunities wherever possible</p> <p>Better Care Fund Plan developed with input from key stakeholders</p> <p>Governance arrangements have been put in place to monitor the the delivery of the BCF plan</p> <p>A programme tracker has been developed to monitor delivery of the BCF this tracker also monitors expenditure in relation to the BCF</p> <p>Pooled budget agreement signed off</p> <p>Terms of Reference, Risk register and Project Risk register created for Better Care Fund</p> <p>The development of an action plan to address</p>			

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					the issues raised by the LGA peer review report and embed transformation within the financial processes.			
ORG0031	Detrimental impact on Finance and Resources due to demographic change	Transient nature of Sloughs population means it is difficult to predict the level of services and amenities required. Increase in older people population children and young persons population working through the system risk of new migration	Pressure on services offered by the Council Increased demand for waste disposal Increased demand for school places Possible rise in extremism Increased demands on Adult Social Care, Children and Families, and Housing	9 - High	Waste Strategy to deal with current levels and increases in waste disposal  Benefits caseloads monitoring  Housing Performance Information  As of September 2015 there are projected to be sufficient school places going forward	9 - High	<b>Energy from Waste Contract to be re-procured</b> Nick Hannon 28/10/2016  <b>Working Group to assess the possible impact of Syrian Refugees</b>  Krutika Pau	6 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0035	Failure to protect adult social care users from physical, emotional or financial abuse	<p>Poorly trained staff or lack of training for staff provided by agencies</p> <p>Lack of robust multi-agency policies and procedures that are in line with national guidance, and no checks that these are being followed.</p> <p>The Care Act place new responsibilities with regard to Safeguarding</p> <p>Lack of resource to undertake the work to identify and protect vulnerable adults at risk.</p> <p>Lack of engagement and involvement with agencies such as the NHS, Police and Voluntary Sector organisations</p> <p>Poor Quality commissioning of services.</p> <p>Lack of monitoring of Personal Budgets provided to service users</p>	Damage to reputation. Criticism from regulatory bodies such as the Care Quality Commission	12 - High	<p>Safeguarding Action plan</p> <p>Business Plan for 2015/16 with 10 objectives</p> <p>Care Governance Group, which includes the NHS assesses the quality of Care Homes and Domiciliary Care providers on a RAG basis. Where providers are rated as RED clients are withdrawn. AMBER rated providers are kept under review</p> <p>Practice guidance for staff updated Feb 2015</p> <p>Safeguarding Adult Workforce Development Strategy 2014-2017</p>	6 - Medium	<p><b>Safeguarding Annual Business Plan Review</b></p> <p>Alan Sinclair 31/03/2016</p> <p><b>Monitoring through Safeguarding Board involving key partners, Police and NHS</b></p> <p>Alan Sinclair 31/03/2016</p>	6 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0045	Lack of adequate Business Continuity Plans	<p>Lack of Business Continuity Plans and effective communication to all staff. No dedicated resource for Business Continuity Management.</p> <p>Lack of business premises in the event of an incident.</p> <p>Lack of staff to manage the Business Continuity Management.</p> <p>Lack of access to key systems.</p> <p>The Council's Storage Area Network (SAN) is approaching full capacity due to an extraordinary growth in storage of data. The Council needs to procure a new SAN in order to cope with future demand. The Council's capacity to rollout Document Image Processing, (DIP) in support of the Accommodation Strategy is diminished due to this lack of storage space.</p>	<p>The Council or it's outsourced contractors are unable to provide an expected level of service. Negative publicity and possibly to put vulnerable service users at risk</p> <p>Appropriate and timely responses to incidents such as RTA's, flooding etc are notanteed</p>	12 - High	<p>A Business Continuity Working group has been set up with representatives of all departments. This group is used to inform the plans.</p> <p>Provision of new Disaster Recovery capacity for the Council is included as a Project under the Transactional Services Phase 2 Service Improvement Plan.</p> <p>It has been provisionally costed by arvato and is funded from a capital bid</p> <p>Key Performance Indicators, for service area to be baselined 1st year. Monitoring tools to be implemented as phase 2 activity.</p> <p>All BIA's have been reviewed.</p> <p>Key service criteria been established for IT and accommodation, key suppliers identified</p> <p>We have shared our plans with Avarto</p> <p>Main data centre omn the trading estate</p>	12 - High	<p><b>Secondary Hot standby site</b> Simon Pallett 31/05/2016</p> <p><b>Secondary hot sharing standby site project</b> Simon Pallett 30/06/2016</p>	12 - High

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0046	Data Security	<p>There is an ever growing threat from data security breaches. These breaches may be intentional or unintentional. These breaches may come about from "cyber" attack on the Council's systems or by misplacing a paper based file.</p> <p>Obselete IT programs still in use.</p> <p>The Council's Storage Area Network (SAN) is approaching full capacity due to an extraordinary growth in storage of data. The Council needs to procure a new SAN in order to cope with future demand. The Council's capacity to rollout Document Image Processing, (DIP) in support of the Accommodation Strategy is diminished due to this lack of storage space.</p>	Information Commissioner may criticise and possibly impose fine Increased vulnerability to staff and clients in relation to IT programs. damage to reputation	12 - High	<p>Mandatory Information Security E-Learning module completed by all staff (SBC &amp; avarto) and Members and includes an annual refresher</p> <p>IT infrastructure improvement plan in place. avarto responsibility to upgrade systems and server network. Governance board established monthly meeting to be held to review progress.</p> <p>IT Governance Board reviews, prioritises and control the size of the program</p> <p>Responsibility for delivery of service to avarto ensuring required service is fully defined and KPIs set to measure performance.</p> <p>Key policies updated and distributed</p> <p>Governance Board now created</p> <p>Encrypted laptpos and password protected memory sticks</p>	9 - High		6 - Medium

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0044	Failure of CSO to delivery required improvements	<p>The new CSO fails to have effective leadership to deliver the required improvements in the service.</p> <p>The Council has only limited control over the activities of the Trust, and has to rely on the Trust to provide assurance of service delivery and service improvements.</p>	<p>Reputational damage</p> <p>Diversion of capacity and resources</p> <p>Further intervention from the Secretary of State</p>	16 - Very High	<p>Contract between the Council and the Trust that contains a governance schedule and a performance framework.</p> <p>Monthly Strategic Monitoring meetings that the Director of Children's Services and the Chair of Board and Chief Executive of the Trust</p> <p>34 KPI's that are reported monthly to give assurance that statutory duties are being performed and that the required improvements are being made. This is also an opportunity for the Trust to give qualitative information regarding information.</p> <p>These monthly meetings also gives the opportunity for other departments of the Council to advise the Trust of any actions that may affect the Trust.</p> <p>The Trust report to their board who report to the Secretary of State quarterly.</p> <p>A Partnership Board has been created to discuss the issues that affect the enterprise.</p>	12 - High	<p><b>Creation of a clientside team - Internal mechanism around D CS role</b></p> <p>Krutika Pau      31/03/2016</p>	12 - High

Risk Ref	Risk	Cause	Effect	Intial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
					Reports are made to associated boards  There are escalation processes that have been created to be used to address performance and service improvements			

Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0037	Failure to meet statutory responsibilities	<p>The Government has introduced a raft of Welfare Reforms Including universal credit, limiting benefit paid to allow for one bedroom per person in a household</p> <p>Impact of Governments reforms to Adult Social Care through Care Act 2014 and through the direction of the Better Care Fund</p> <p>Universal Credit for the more basic cases goes live in September 2015 in Slough</p> <p>Increase in Housing demand</p> <p>Reduction in grant to deliver mandatory outcomes</p>	<p>The current welfare reforms could lead to increased levels of poverty and debt amongst those claiming benefits tempting hard pressed families to go "loan sharks" increasing the spiral of poverty.</p> <p>It could also lead to increased levels of Housing Rent debt as benefit is paid to the claimant rather than the landlord.</p> <p>The reforms may also lead to London Borough's placing homeless people in Slough, thus reducing the capacity for Sloughs own homeless persons, an increase in bed and Breakfast accommodation costs, and overcrowding in cheaper but smaller properties.</p> <p>There is thought to be an increased risk of fraud with the introduction of the universal credit IT system</p> <p>Increased pressure on the Welfare Rights section.</p> <p>Increased number of social care users and associated costs to the Council</p> <p>Increased pressure on Housing, Children and Families and Public Health</p> <p>Possibility of insufficient school places in the future</p>	12 - High	Pro Active measure by Welfare Unit Universal Credit workshop	8 - Medium	<p>Care Act review of implementaion as part of ASC reform program</p> <p>Alan Sinclair 31/03/2019</p>	8 - Medium



Risk Ref	Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0039	Failure to manage major contracts to obtain expected outcomes	<p>Internal audits completed in 2013/14 identified that there are weaknesses in the Councils contract management arrangements. As a result some contracts are not adequately performance managed</p> <p>Lack of experienced contract managers</p> <p>The Cambridge Education contract has only one year to go and there is a possibility that Cambridge education may pay less attention to the contract than previously</p>	<p>Financial overspends</p> <p>Poor performance by contractors</p> <p>Lack of quality in relation to services provided</p> <p>Increased possibility of fraud and corruption</p>	16 - Very High	<p>Actions identified from previous internal audit reports have been implemented, improving the control framework.</p> <p>Dedicated contract managers in place for Council's main contracts.</p> <p>Copies of all major contracts held in electronic and hard copy</p> <p>KPIs in place for major contracts.</p> <p>Director has regular meetings with Contract Managers</p> <p>Contract Management training provide by LG Futures</p> <p>Asst Director Commissioning and procurement has been appointed</p>	9 - High	<p><b>Tri-partite meetings with CSO and Cambridge to ensure that service meets the needs of SBC</b></p> <p>Krutika Pau      31/03/2016</p>	9 - High
ORG0041	Inability to deliver the required organisational and operational changes	<p>Lack of sufficient staff/resources</p> <p>Lack of accountability for effecting changes</p> <p>Lack of plan to deliver required change</p>	<p>Inability to meet the financial challenges from the Government and changing expectations from the 5 year plan.</p> <p>Work Related consequences: Stress related illnesses/behaviours Resentment Departure of best talent Poor performance Failures of judgement</p>	15 - Very High	<p>Clearly articulated 5 year plan and outcomes focus</p> <p>Increased collection rates and tax bases mitigate some of the financial pressures</p>	12 - High		12 - High

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# Annual Governance Statement

**How did we do in 2015/16?  
Were we well-governed?**



# Slough Borough Council

## INTRODUCTION AND PURPOSE OF THIS DOCUMENT

This document is an assessment of our “governance”, but what do we mean by that word? There is no legal definition of “governance”, but we believe it is best summarised as:

having:

- the right **governance structures** (including constitution, committees, delegated powers, internal management structures and audit arrangements)
- the right **plan of action** (including **vision, aims, approaches and ambitions**); and
- the right **way of operating** (including openly, honestly and efficiently)

so that we deliver:

- the **right services**, to the **right people**, at the **right price** and at the **right time**.

Further guidance is given by CIPFA (the Chartered Institute for Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) which in 2007 jointly published a “Framework for Delivering Good Governance in Local Government”, updated by an Addendum in December 2012.

This guidance is recognised as the proper practices referred to in the Accounts & Audit Regulations that we must follow (and in that sense is the nearest one can get to the ‘official’ definition of Governance), and sets out six core principles of good governance, which we think are compatible with the summary we gave above.

CIPFA/SOLACE lists these core principles as:

1. **Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**
2. **Members and Officers working together to achieve a common purpose with clearly defined functions and roles**
3. **Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
4. **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
5. **Developing the capacity and capability of Members and Officers to be effective**
6. **Engaging with local people and other stakeholders to ensure robust public accountability.**

The law requires each council to produce an annual statement to provide assurance that it is a well-governed organisation with the right policies and controls in place to ensure excellent public services are delivered and public money is spent wisely. **This is called our ‘Annual Governance Statement’ and includes a ‘review of effectiveness’.**

This report is written under the authority of the council's Audit and Corporate Governance Committee and approved by it on 12<sup>th</sup> July 2016 through its delegated authority. It is signed by the Leader (an elected Councillor) and Chief Executive (an Officer) and published with the final accounts by 30<sup>th</sup> September 2016. It was submitted to our external auditors along with our annual accounts in June 2016; the auditors will consider whether the information we've submitted meets their expectations as part of their annual opinion in September 2016.

We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

## **GOVERNANCE STRUCTURES**

In the Introduction above, the first thing we said was that we should have the right governance structures in place.

The key elements of the systems and processes that comprise Slough Borough Council's governance arrangements are set out below and include arrangements for:

- Identifying and communicating Slough Borough Council's Strategy through our Five Year Plan 2015-2019. The Plan sets out our intended outcomes for citizens and service users, the key actions to deliver these outcomes and how we will measure success.
- Measuring the quality of services for users, ensuring they are delivered in accordance with Slough Borough Council's objectives and ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating the Constitution including Financial Procedure Rules, the scheme of delegation, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)"
- The Audit and Corporate Governance which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities"
- A review of the effectiveness of Internal Audit, which was undertaken in 2014/15 through the use of a competitive tendering exercise, from which RSM were the preferred provider
- Whistle-blowing and for receiving and investigating complaints from the public
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

This section reviews those structures. We govern ourselves through **Council**, a **Corporate Management Team**, **Cabinet** and **Committees**, and we have many **policies** in place that govern our activities which we follow. These are listed in turn below:

- **Council**

There were 42 elected Councillors in place at the start of the 2015/16 financial year. The number of elected Councillors remained at 42 following the Local Borough elections on 7 May 2015. The Council met seven times during the year. The numbers attending each meeting were as follows:

- 21 April 2015: 39 Councillors attended the meeting
- 19 May 2015: 37 Councillors attended the meeting
- 21 July 2015: 38 Councillors attended the meeting
- 22 September 2015: 38 Councillors attended the meeting
- 24 November 2015: 38 Councillors attended the meeting
- 26 January 2016: 38 Councillors attended the meeting
- 25 February 2016: 36 Councillors attended the meeting

Meetings of Council were held in open forum and considered reports from other committees.

- **Corporate Management Team (CMT)**

CMT meets regularly throughout the year, and reviews and approves reports before they are sent on for consideration by the relevant Committee. They are also involved in the development of new policies and strategies for the Council, either directly, or by management review and comment. Senior members are:

- the **Chief Executive** (Ruth Bagley) is the person who is ultimately responsible for the welfare of the Council's employees;
- the **Interim Strategic Director, Children's Services**;
- the **Strategic Director, Customer & Community Services**; and
- the **Interim Strategic Director, Regeneration, Housing & Resources**.

- **Supporting Officers**

- the **Section 151 Officer** (Joseph Holmes) is responsible for looking after the financial affairs of the Council, fulfils the role of Chief Financial Officer and is a CIPFA Qualified Accountant. The role of the Chief Financial Officer complies with the governance requirements as set out within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) through:
  - Being a key member of the Leadership Team, with a dotted reporting line to the Chief Executive, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives and having access to CMT papers and meetings;
  - Being involved in all material business decisions made by the Council to ensure both immediate and long term risks and implications are considered and that these are in line with the financial strategy;
  - Leading the promotion and delivery of good financial management across the Council through ensuring that key financial targets are being set and reporting on performance against these to CMT
  - Ensuring the finance function is well led and effectively resourced throughout the year.
- The **Monitoring Officer** (Gurpreet Anand) is responsible for ensuring that decisions by the Council are legal, and are made in an open and transparent way. The Monitoring Officer also reviews any reports or complaints about conduct and behaviour. Following the departure of the previous Monitoring Officer in June 2015, an Interim (Linda Walker) held the position between June and October 2015 prior to the commencement of the current postholder in October 2015.

- **Cabinet**

The Cabinet is the Council's principal decision-making body, consisting of elected Councillors, appointed by the Leader of the Council, each with an area of responsibility called a 'portfolio' for which they are 'Commissioners'. Although the Cabinet can be made up of any political proportion, at the moment all our Cabinet Members come from the majority political party.

- **Audit & Corporate Governance Committee**

This Committee met five times during the year. Its main purposes are:

- to provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- independent scrutiny of the authority framework and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment; and
- to oversee the financial reporting process.

At our March 2015 meeting, it was agreed that, the Audit and Risk Committee would merge with the Standards Advisory Committee to form an Audit and Corporate Governance Committee from the 1<sup>st</sup> April 2015 onwards.

- **Overview & Scrutiny Committee**

The Overview & Scrutiny Committee consisted of nine non-Executive members (those who are not members of the Cabinet) and is appointed on a proportional basis (with political groups represented in the same proportion as on the whole Council). It monitored the performance of the Leader and Cabinet and scrutinises services and policies throughout the Borough, and makes recommendations for improvement. During the year, the Committee met nine times and:

- reviewed and noted the Five Year Plan, Medium Term Financial Strategy and Capital Strategy for 2016-2020
- reviewed and noted the Treasury Management Strategy and Revenue Budget for 2016/17
- considered an update on the progress made in Year 3 of the Transactional Services Centre Partnership and further reviews of progress in-year
- considered reports on progress made on the Five Year Plan outcomes consideration was given to the Annual Scrutiny Report 2014/15
- approved the appointment of three Scrutiny Panels
- considered the Quarter 1, 2 & 3 Finance and Performance Reports
- reviewed and noted progress updates on the Children's Services Transition
- considered a report on the Council's Abandoned Vehicles Policy and Procedure

There are also three Scrutiny Panels in addition to the Overview and Scrutiny Committee which focus on the different aspects of the Council's work – Health, Neighbourhoods and Community Services and Education and Children's Services

The Council also has other committees (planning, licensing etc.), but these are not concerned directly with governance arrangements so are not listed here.

- **Policies**

The following table lists the Council's main documents, policies and procedures; we refer to and follow these, to make sure we do things in the right and consistent way. All these policies have been approved by your elected Councillors where required.

<b>Title</b>	<b>Last updated</b>
<a href="#">Constitution</a> (including Financial Procedure Rules)	May 2015
Five Year Plan 2016-2019	January 2016
<a href="#">Corporate Procurement Strategy</a>	March 2012
Risk Management Strategy 2013-2015	2013
ICT Strategy 2015-2018	July 2015
<a href="#">Slough Joint Wellbeing Strategy 2013-2016</a>	2013
<a href="#">Anti Fraud &amp; Corruption Strategy and Policy</a>	May 2015
<a href="#">Whistleblowing Policy</a> and Procedure	May 2015
<a href="#">Statement of Accounts</a>	October 2015

## **VISION, AIMS, APPROACHES AND ACTIONS**

In the introduction to this document, the second thing we said we needed was the right plan of action. The Five Year Plan was introduced in January 2015 and replaced the previous Corporate Plan. It was accepted that as a result of the funding challenges the Council faced, we needed a new approach to forward planning over the medium term.

The Plan sets the following overarching **Vision** for the Council:

### ***“Growing a place of opportunity and ambition”***

The Plan further outlines the ambition of the Council which, by 2020, is to be:

- A place where people can make good choices about where to live and work and where children can grow up to achieve their full potential
- One of the most attractive places to do business in the country, with excellent communications, business accommodation and a skilled, and available workforce

The Plan identifies the challenges and opportunities facing the town, and includes eight outcomes to respond to these opportunities and challenges, along with key actions to deliver the outcomes and measures of success. We have chosen to express our Plan in terms of outcomes supported by actions and success measures that will assist us in delivering our Plan, because we believe that a clear, simple, transparent set of statements provides the best way of establishing and then achieving them, and of being able to monitor performance – all of which is good governance.

The eight outcomes are grouped into the following three themes:

### **Changing, retaining and growing**

1. Slough will be the premier location in the south east for businesses of all sizes to locate, start, grow, and stay.
2. There will more homes in the borough, with quality improving across all tenures to support our ambition for Slough.
3. The centre of Slough will be vibrant, providing business, living, and cultural opportunities.

### **Enabling and preventing**

4. Slough will be one of the safest places in the Thames Valley.
5. More people will take responsibility and manage their own health, care and support needs.



6. Children and young people in Slough will be healthy, resilient and have positive life chances.

### Using resources wisely

7. The Council's income and the value of its assets will be maximised.
8. The Council will be a leading digital transformation organisation.

The Plan is therefore an important element of our strategic narrative in explaining our ambitions for Slough and how we are delivering major schemes to transform the borough for the better, while at the same time ensuring that vital services for those most in need are provided.

## **REPORTING**

In the Introduction, we said that we needed the right way of operating (including openly, honestly, efficiently, etc.) so that, as outputs, we deliver the right services, to the right people, at the right price, and the right time. We also mentioned above that "it is standard practice to 'work backwards' and assess the results and performance, and infer that, if these outputs are good, that is a sign that the underlying governance is also working properly. This section reviews how we reported on the results.

### Regular reporting

Within our Five Year Plan we have established a number of key performance indicators which we use to measure the performance of the Council during the year. These are reported in the form of a balanced scorecard, which is reviewed and updated annually. The following regular reports are received at our Cabinet meetings:

- **Five Year Plan Progress Updates and Annual Report (formerly Corporate Plan)**
- **Finance and Performance Report:** quarterly reporting on progress against the targets in the Corporate Plan and delivery of performance targets. We also publish detailed revenue and capital expenditure reports each quarter, and include financial forecasts.
- **Balanced Scorecard:** quarterly performance against the Council's key performance indicators
- **Council's Gold Projects Updates:** we publish quarterly performance in respect of the delivery of the Council's Gold projects, which are our key strategic projects.
- **Financial and Performance Outturn Report:** we will publish a report following the year end detailing how we performed against our targets for 2015/16

We publish, annually:

- The **Audit of Accounts:** The format of these is set by accounting regulations. The council's accounts are subject to external audit by BDO. Members of the public and local government electors have certain rights in the audit process.
- An **Annual Audit Letter:** Every year the council's external auditors, currently BDO, produce an Annual Audit Letter. This letter is a high level summary of the auditors' findings from their work during the previous financial year.

### Auditing and monitoring

The Council was subject to auditing and monitoring processes, which were intended to be objective and (where necessary) critical:

- **Internal audit:** we appointed RSM to carry out audits on a number of specific areas that we asked them to review. For each area of review, internal audit would typically provide assurance on the policies and procedures in place and the governance arrangements in operation to monitor the performance in that area. For each area, a report was issued concluding with an assurance opinion that utilised a 'traffic light' system (red, amber, green) as to how they think each area was doing; and to agree management actions for changes to our procedures and governance arrangements. RSM have provided an Annual Report in which it includes all the areas they reviewed; what 'traffic light' they gave and how many [high/medium/low priority] management actions were agreed.

The Head of Internal Audit Opinion for 2015/16 provided a positive opinion on our Risk Management, Governance and Control Framework. Positive assurance opinions were provided in 20 of the 31 audit reports issued in 2015/16 (excluding follow up and advisory reviews). Of the two red and nine amber red assurance opinions during the year no areas of common weakness were identified although these reports highlighted a number of areas where improvements in the control framework were required. It should also be noted that a number of advisory review were also undertaken which identified weaknesses in control, and these, together with the significant issues identified within the red and amber red assurance reports have been highlighted within the improvements section below.

**External audit:** The Council's external auditors, BDO, provided an unqualified opinion on the financial statements for the year ended 31 March 2015. However, a qualified opinion was issued on the Council's use of resources and delivery of value for money, due the significant weaknesses in Children's Social Care Services identified by Ofsted since 2011, the further deterioration in such services identified by another Ofsted review in 2014, and the decision of the Department for Education to pursue a transfer of Children's Social Care Services to another body.

**Other external assurance sources:** Sometimes we are reviewed by external bodies that look at certain services such as OFSTED on Safeguarding, which was an area for inspection in December 2013. This inspection was followed up and an Ofsted inspection report of services for children in need of help and protection, looked after children and care leavers was published in February 2014 with an 'inadequate' rating. This resulted in the Parliamentary Under Secretary of State for Children and Families using intervention powers under section 497A of the Education Act 1996 with respect to the Council's exercise of its children's social services functions, and work on creating this new organisation was finalised in September 2015, with staff transferring to the new organisation (Slough Children's Services Trust) from 1 October 2015.

- **Corporate Risk Register:** We document our corporate risks within this register which enables the Council to monitor how risks are being managed through regular review at the Risk Management Group and CMT. The Corporate Risk Register describes and rates each risk in terms of likelihood and consequence. It also lists controls mechanisms in place to manage those risks stated and actions to be undertaken to reduce the risks. This process has continued into 2015/16.
- **Audit recommendation tracker:** In 2013/14 we introduced a process of recommendation tracking to ensure that recommendations made by our Internal Auditors are implemented in a timely manner. We report on the progress in implementing recommendations to the Risk Management Group each meeting. This process has continued into 2015/16.

## **REVIEW OF EFFECTIVENESS**

Slough Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within Slough Borough Council who have responsibility for the development and maintenance of the governance environment.

The following process has been applied in maintaining and reviewing the effectiveness of the governance framework, and includes:

- The work of the Risk Management Group and the Risk Management Strategy
- The annual assurance statements produced by all Heads of Service
- The work of the Audit and Corporate Governance Committee
- The work of the Standards Sub-Committee

- The work of Internal Audit
- The work of the Overview and Scrutiny Committee.
- Directors complete an annual assurance statement that is supported by a governance self-assessment completed by each Assistant Director; these are available on request.

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Audit and Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **ANNUAL ASSURANCE STATEMENTS**

As detailed above, in order to provide confirmation that each Directorate within the Council has a sound system of internal control in operation, which in turn helps to manage and control business risk, each Director has been required to complete, certify and return a statement of their Directorate's current position.

Each Director and Assistant Director has been provided with a model format for completion and, in completing the statement, has facilitated the involvement of their Direct Reports to ensure that sufficient input has been obtained to provide a clear and coherent statement of all risk and control issues within any given area. These statements are held by Internal Audit.

## **IMPROVEMENTS**

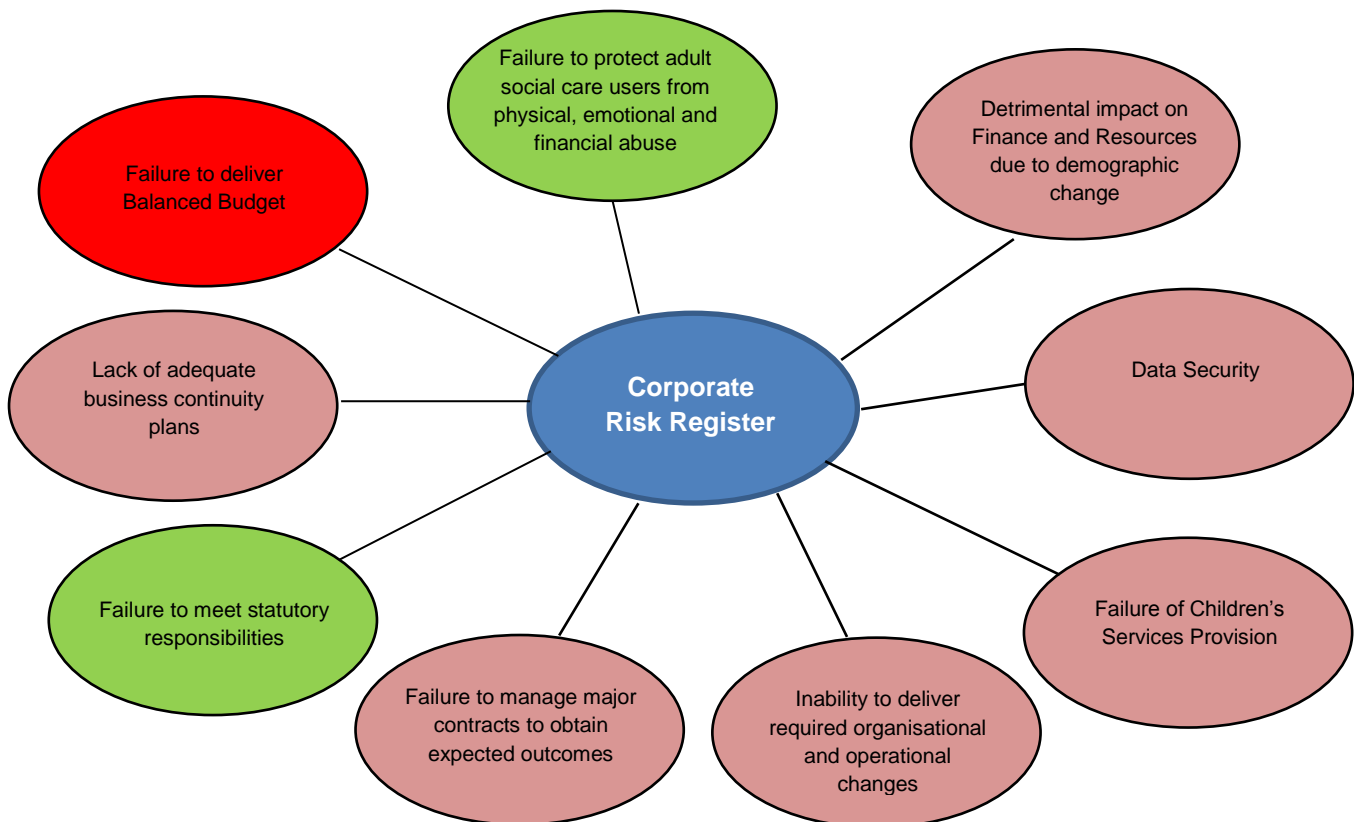
In the Annual Governance Statement for 2014/15 we identified a number of areas for improvement. The table below lists them, and comments how we did in addressing them in 2015/16.

<b><i>Issues reported in 2014/15 AGS</i></b>	<b><i>2015/16 actions taken</i></b>	<b><i>Is this an issue for 2016/17 and beyond?</i></b>
Safeguarding services and Safeguarding outcomes for children and young people (including risk assessments).	<p>Items remain on the corporate risk register; risk remains in Children's Social Care following the Ofsted inspection in December 2013 and the follow up in February 2014. (An inspection of Children's Services was also undertaken during 2015/16 and the results are awaited.)</p> <p>From the 1<sup>st</sup> October 2015 a new organisation, Slough Children's Services Trust, was established with staff previously working with Children's Services transferred to this organisation. We have worked with the Commissioner for Children's Social Care to ensure that we minimise any disruption to the provision of services.</p> <p>In 2015/16, Internal Audit undertook a review of our adult safeguarding arrangements and identified a number of areas of improvement were required. We have developed an action plan in response to this audit and are in the process of implementing actions to address the weaknesses identified.</p>	Yes
Contract Management	<p>This remains a key risk for the Council and continues to be managed by officers and captured on the Strategic Risk Register. In 2015/16 Internal Audit undertook a number of advisory reviews to assist us in developing our contract management arrangements together with carrying out an open book review into significant contracts. This work will continue into 2016/17. We have specifically targeted some of our internal audit coverage to provide some advice and assistance around our contract lettings procedures and processes to address some of the weaknesses in this area.</p>	Yes

Continued Economic Instability and Turbulence at a national level.	The Failure to Deliver a Balanced Budget Remains on the Corporate Risk Register for 2015-16 and beyond. The Council is currently reporting an overspend on outturn for 2015-16 of £300,000. We have set ourselves a balanced budget for 2016/17.	Yes
Managing a mixed economy workforce.	The Council continues to monitor performance through metrics to ensure outcomes are met. We requested Internal Audit undertake a review of our management of agency staffing and this identified a number of areas where improvements were required and we are putting in place processes to address these. We also requested Internal Audit carry out a review of our recruitment processes and this concluded positively on the effectiveness of controls in place.	Yes
Partnership and Governance arrangements	This in part relates to the above risk, though we need to continue to improve partnership governance arrangements in light of the Ofsted report and ensuring close working with partners into the future. In addition, a 2015/16 Internal Audit review into the Five Year Plan Outcomes provided a positive opinion in relation to the governance arrangements for the monitoring and delivery of outcomes.	Yes
Procurement	During 2015/16 we have continued to use Internal Audit in an advisory capacity to support us in the development of our contract management arrangements including how significant contracts are procured. This work will continue into 2016/17.	Yes
Schools Environment	We continued to commission an extensive programme of Internal Audit reviews around the management of our schools, including re-auditing a number of schools where negative opinions were provided in the previous year. Further audits of schools have taken place in 2015/16 to continue to drive forward improvements in internal controls, and to engage further with schools over improving safeguarding arrangements. This process will continue to be actively supported by our Audit and Corporate Governance Committee in 2016/17 and beyond. The Council needs to maximise its progress in respect of school improvement in an increasingly disparate education provision environment.	Yes
Risk Management	We have continued to develop our risk management arrangements during 2015/16, working towards implementing the recommendations made in this area by Internal Audit. Whilst we acknowledge that there is further work to be completed, improvements have been made in the processes in place, particularly with regards to developing the role of the Risk Management Group, and in 2016/17 we will be further embedding risk management throughout the organisation and using this to support the delivery of our 5 year plan.	Yes
Asset Register	During 2015/16 we requested our Internal Auditors to undertake a further review of the controls in place around our asset register, and to identify improvements made from the previous year. Whilst this review concluded that some assurance can be provided over this area, it noted that a number of further improvements were still required.	Yes

## Risk Register

The following risks have been highlighted on the Corporate Risk register as at the 31<sup>st</sup> March 2016, together with the associated residual risk rating (colour coding):



*We, the Leader and Chief Executive, undertake over the coming year to continue to monitor our governance arrangements to ensure they remain fit for purpose. We are satisfied that they were effective in 2015/16, and will reflect and report on their operation and effectiveness as part of our next annual review.*

Signed .....

Date:

Leader

Signed .....

Date:

Chief Executive

## CONCLUSION

The Council's Audit & Corporate Governance Committee is responsible for providing independent assurance of the adequacy of the risk management framework and the associated control environment and ensuring that appropriate action is taken with respect the issues raised on the control environment (for which the Annual Governance Statement forms a key element).

The Committee believes that it has discharged that responsibility, and that this report is evidence of that.

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# SLOUGH BOROUGH COUNCIL

Planning Letter 2016/17

18 April 2016

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# PROPOSED FEES

## Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2016/17 financial year.

### Code audit fee

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office and covers the audit of the financial statements and value for money conclusion.

Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2015. There are no planned changes to the overall work programme for 2016/17 and the scale audit fees have been set at the same level as 2015/16, although it is acknowledged that for some authorities a change in accounting requirements relating to highways network assets will require additional audit work. PSAA expect the additional fees for a highway authority to be in the range of £5,000 to £10,000 where authorities are able to provide the information required and the auditor is able to rely on central assurance of the models in use. We will agree an appropriate additional fee for this work with management in due course.

PSAA has the power to determine the fee above or below the scale fee where there has been a change that requires substantially more or less work than envisaged by the scale fee.

### Certification of housing benefits subsidy claim

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available.

### Audit related services

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. In recent years, a number of grants and returns were included in the certification scale fee that are no longer mandated for review by PSAA, but still require certification by the auditor.

### Other non-audit services

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

## Fees

AUDIT AREA	PROPOSED FEE 2016/17 (£)	SCALE FEE 2016/17 (£)	PROPOSED FEE 2015/16 (£)
Code audit fee	127,523	127,523	127,523
Certification fee for housing benefits subsidy claim <sup>(1)</sup>	9,950	20,625	9,950
Audit related services			
- Pooled Housing Receipts return	3,535	n/a	3,535
- Teachers' pensions return	1,800	n/a	1,800
Other non-audit services			
- None	-	n/a	-
<b>Total fees</b>	<b>142,808</b>		<b>142,808</b>

<sup>(1)</sup> The proposed fee for the certification of the housing benefits grant claim is lower than the indicative scale fee published by PSAA as the Council has commissioned the services of a housing benefits expert to carry out the audit testing and BDO will seek to place reliance on that work.



### **Amendments to the proposed fees**

If we need to propose any amendments to the fees during the course of the audit or where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Director of Corporate Services. Where this requires a variation to the scale fee we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Standards Committee.

At this stage, nothing has come to our attention that would require us to seek approval to amend the scale fee.

### **Billing arrangements**

We will raise invoices for the Code audit fee on a quarterly basis, at £31,880.75 per quarter, from June 2016. Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice. Fee invoices for other services will be raised as the work is completed.

## **Arrangements from 2017/18**

The Department for Communities and Local Government has confirmed that the current contracts negotiated by the Audit Commission in April 2014 will be extended for one year. As a result, the Council will be required to make a local appointment for external audit services from 2018/19.

# AUDIT ARRANGEMENTS

## Planned outputs

We plan to issue the following reports and opinions over the course of the 2016/17 audit:

REPORT	DATE
Audit planning report	March 2017
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	June 2017
Final report to those charged with governance	September 2017
Independent auditor's report including: <ul style="list-style-type: none"><li>• Opinion on the financial statements</li><li>• Value for money conclusion</li><li>• Certificate</li></ul>	September 2017
Summary of findings from the audit in the annual audit letter	October 2017
Grant claims and returns certification report	January 2018

## Audit team

The key members of the audit team will be:

### Engagement Lead - Janine Combrinck

Email: Janine.Combrinck@bdo.co.uk

Tel: 020 7893 2631

Janine will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

### Project Manager - Kerry Barnes

Email: Kerry.L.Barnes@bdo.co.uk

Tel: 020 7893 3837

Kerry will manage and co-ordinate each aspect of the audit and will be the key contact with the finance team.

### Senior - Michael Asare Bediako

Email: Michael.AsareBediako@bdo.co.uk

Tel: 020 7893 3643

Michael will lead the delivery of the financial statements audit.

## Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Janine in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the PSAA complaints handling procedure is detailed on their website <http://www.psaa.co.uk/about-us/contact-us/complaints/>.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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**SLOUGH BOROUGH COUNCIL****FOR INFORMATION****COPY OF REPORT CONSIDERED AT CABINET MEETING HELD ON 27 JUNE 2016****PROVISIONAL FINANCIAL & PERFORMANCE OUTTURN REPORT: 2015-16  
FINANCIAL YEAR****1 Purpose of Report**

To provide members with the provisional financial outturn information for the 15-16 financial year and summarise the Council's 5YP Outcomes and performance on 'Gold' projects during 2015-16.

**2 Proposed Action**

The Cabinet is requested to note the report, and the key information:

- a) That the provisional revenue outturn for 2015-16 is an over spend of £41K, maintaining General Fund balances at £8.1M.
- b) That the provisional capital outturn is expenditure of £44.70m against the capital programme of £76.90m, with £22.0m reprofiled into the 2016-17 financial year.
- c) That within the Council's balanced scorecard, 42.9% of indicators were green, 15.4% are red and 17.6% are amber. The remaining 22 indicators are recorded either as
  - N/A 20.9% - not applicable because
    - this is a volume indicator only;
    - the indicator is to be updated later in the year
    - the value which SBC cannot seek to directly influence or because the issue is complex
  - Unassigned (3.3%) – this relates to the 3 children social care indicators where a RAG status is currently unassigned
- d) That of the 8 Gold projects as of the end of March 2016; one has been assessed as "Green", six as "Amber" and one as "Red".
- e) That of the eight highlight 5YP outcome reports which have been RAG-rated as at March 2016, the overall status of three have been assessed at 'Green', three at 'Amber', one at 'Amber/Green' and one unassigned.

The Cabinet is requested to approve:

- f) The revised 2015-16 capital programme to take account of re-profiling of previously approved 2015-16 projects into the 2016-17 programme.
- g) That an increase of £700k in the ERP capital scheme be approved.

- h) The revenue carry forwards included within the 2015/16 outturn.
- i) The Virements and write-offs detailed within the report.
- j) The introduction of a new £5000.00 fixed penalty charge in relation to the Smoke and Carbon Monoxide Alarm (England) Regulations 2015; and give delegated authority to the Housing Regulation Team's Officers to enforce the policy under the powers of the Regulations 2015 in accordance with the Statement of Principles.

### 3 **The SJWS, the JSNA and the Five Year Plan**

#### 3a. **SJWS Priorities**

The report indirectly supports all of the strategic priorities and cross cutting themes. The maintenance of excellent governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

#### 3b. **Five Year Plan**

The report helps achieve the Five Year Plan objectives by detailing how the Council has performed against its priority outcomes, as evidenced in the performance balanced scorecard and Gold projects reporting, and in delivering the Council's budget in line with the approved budget.

### 4 **Other Implications**

#### (a) Financial

The Financial implications are contained within this report, but in summary, the 2015-16 provisional outturn will maintain the Council's General Fund reserve around **£8m as at 31<sup>st</sup> March 2016**

#### (b) Risk Management

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	None	None
Equalities Issues	None	None
Community Support	None	none
Communications	None	none
Community Safety	None	None
Financial; Detailed in the report and above	As identified	None
Timetable for delivery; A number of capital	The capital programme will be closely monitored by the	None

projects will be reprofiled into the 2015-16 financial year	capital strategy group in 2016-17.	
Project Capacity	None	None
Other	None	None

(c) Human Rights Act and Other Legal Implications - There are no Human Right Act or other legal implications.

(d) Equalities Impact Assessment - There is no identified for an EIA.

## 5 **Executive Summary**

5.1 The Council provisional financial outturn for the 2015/16 year is an over spend of £41k. The Council has been successful in containing the pressures it has faced in delivering the planned budget. As a result of this General Fund balances can be maintained at the current level of £8.1M.

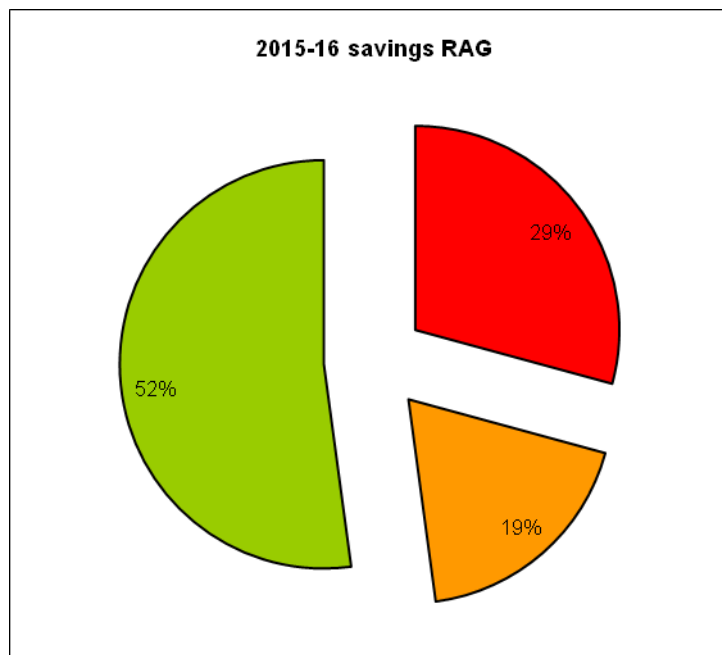
### **Summary of key deliverables**

Item	Outcome
Revenue Budget	Delivered a £41k over spend keeping General Fund balances at £8.1M
Housing Revenue Account	Delivered a surplus of £1.5m in relation to a budgeted surplus of £.971m
Savings	71% of the £9.79m highlighted as Green or Amber. Most of the savings not achieved (outside of the Children's Social Care Directorate) will be achieved in 2016/17 or later years.
Capital Budget	58% delivery with key schemes progressing. The key carry forwards into 16/17 relate to the Housing capital programme and the Crematorium / Cemetery project.
Balanced Scorecard	43% performance measures Green, 18% amber, 15% Red, with 24% not applicable or not assigned.
5YP Outcome	Three projects have been assessed as Green, three as Amber and one as Amber/Green
GOLD projects	One project has been assessed as Green, six as Amber and one as Red

5.2 The Council Budget was set in February 2015 and approved a council tax freeze for the local taxpayer for 2015/16. This was the third council tax freeze in the past four years. The budget delivery was based on a variety of savings measures that were geared towards minimising the impact on service users. 2015/16 was set to be a very difficult year financially for the Council, with a continued significant reduction in Government Funding, as well as and increased demand for Council services. The Council has managed to protect Council services whilst ensuring that there is sufficient budget for the next financial year to deliver key outcomes.

5.3 The 2015/16 budget included built in savings totalling £9.79m, amongst the largest savings requirements the Council has faced. The Council has successfully

contained the pressures it has faced, has delivered the planned budget. 71% of all savings targets have been met or partially met. The savings targets not met have resulted in overspends, particularly within the Wellbeing directorate. Alternative savings have been met to offset the majority of these. Any areas where there are future pressures have been adjusted for in the 2016/17 budget.



5.4 A comparison of revenue budget and outturn is set out in Appendix 1.

5.5 The Council's capital programme for the 2015-16 year has been completed with 58% of the capital programme budget spent in the financial year. The major items of re-profiling are within the Housing capital programme and the Crematorium / Cemetery projects.

## 6 Five Year Plan (5YP) Balanced Scorecard

6.1 This is the end of year review of the Five Year Plan (5YP) Balanced Scorecard. There are 91 indicators in total across the eight main outcomes.

6.2 Due to the timing of this report, this update is not finalised. Several of the end of year figures i.e. housing, children social care rates, recycling, school places etc. require further scrutiny and validation therefore have not been finalised in time for this report and/or are not available to report on until later in the year. In addition, the supporting commentary in the 'actions' column have not all been authorised by the Outcome Leads.

6.3 Indicators that have been updated this quarter are highlighted in yellow in the 'date updated' column. Some of the indicators are updated annually therefore will be updated at the end of financial year 2015/16.

6.4 Currently 69 of the 91 indicators (75.8%) have been assigned a RAG status of either 'Red' (14, 15.4%), 'Amber' (16, 17.6%) or 'Green' (39, 42.9%).

6.5 The remaining 22 indicators are recorded either as:

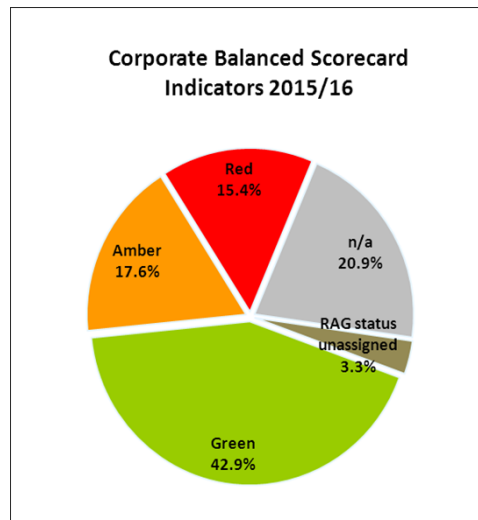
6.5.1 'N/A' (19, 20.9%) - not applicable because:



- this is a volume indicator only;
- the indicator is to be updated later in the year;
- the value which SBC cannot seek to directly influence or because the issue is complex.

**6.5.2 RAG status unassigned (3, 3.3%)** - this relates to the 3 children social care indicators where a RAG status is currently unassigned.

6.6 The latest position for the Council's balanced scorecard demonstrates that at the end of year - March 2016 the Council's performance is as below:

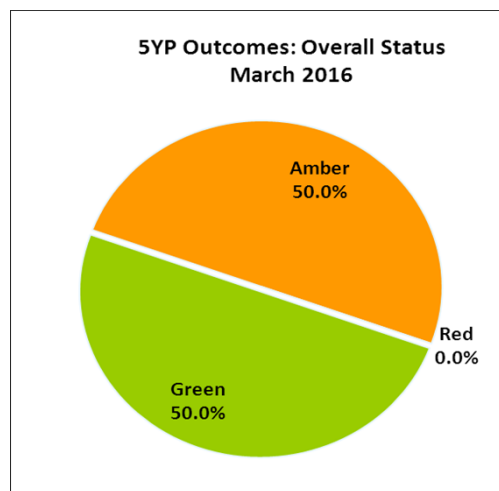


- 6.7 For each indicator the RAG status has been assigned by the responsible manager.
- 6.8 There is further work to be carried out to ensure that each of the indicators is allocated a target which is SMART (Specific, Measurable, Attainable, Relevant and Timely). Indicators where the target is entered as 'increasing' or 'decreasing' should be revisited to ensure that either a specific target or target tolerance is set.
- 6.9 CMT are requested to review the list of 91 indicators and remove or replace those that are not measurable or otherwise surplus to requirements.
- 6.10 Where performance is below target, details of the correction actions that will be taken need to be added to the supporting commentary.
- 6.11 Key areas of noteworthy concerns flagged as **'Red'** status are:
- Business rate debit increase each year
  - Number of tenant verification visits completed
  - Average turnaround times on Local Authority void properties
  - Crime rates per 1,000 population: All crime
  - Crime rates per 1,000 population: Violence against the person
  - Domestic abuse incidents recorded by the Police
  - An improved Ofsted inspection rating of good or outstanding
  - Prevalence of childhood 'healthy weight' at end of primary school (Year 6) as measured by the NCMP
  - Percentage of pupils achieving level 4 or above in reading, writing and mathematics at Key Stage 2

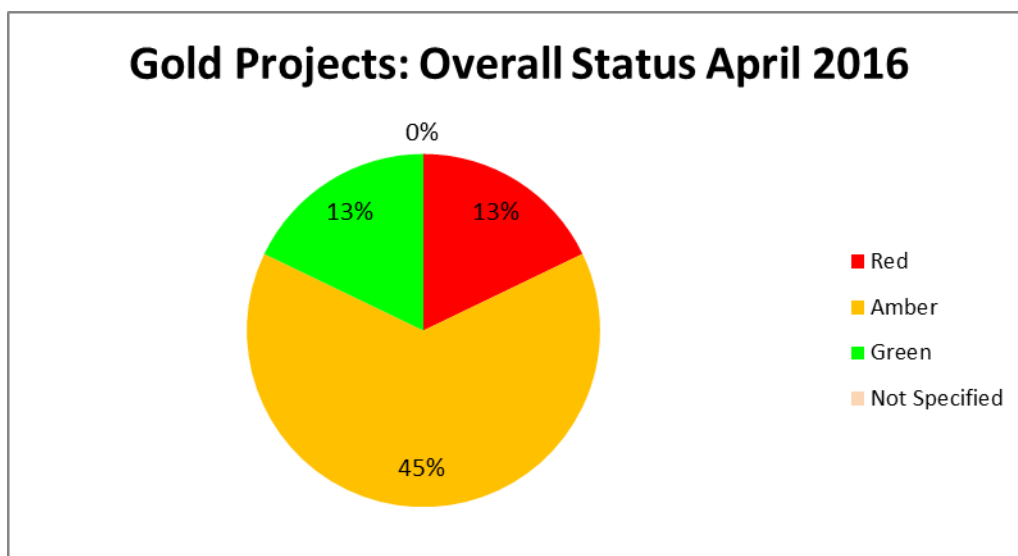
- Cumulative percentage of the eligible population aged 40-74 offered an NHS Health Check
- Cumulative percentage of the eligible population aged 40-74 offered an NHS Health Check who received an NHS Health Check
- Rate of mortality from all cardiovascular diseases (including heart disease and stroke) in persons less than 75 years per 100,000 population
- Social Isolation: percentage of adult social care users who have as much social contact as they would like
- Reduction in corporate building space (%)

## 7 5YP outcome

- 7.1 The summary of the seven 5YP outcome highlight reports submitted as at March 2016 indicates that the overall status of three has been assessed as 'Green', three as 'Amber' and one as 'Amber/Green'.



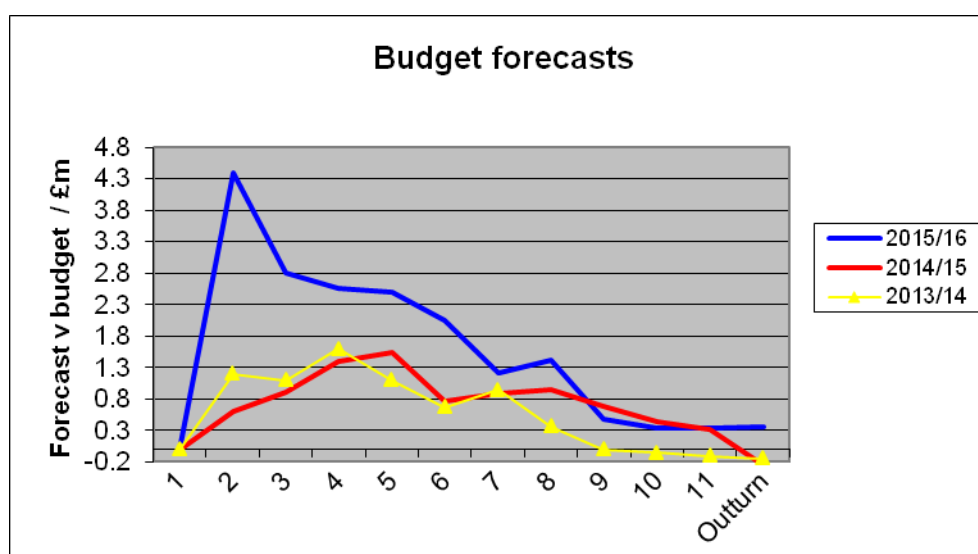
- 7.2 The summary of the 8 Gold project updates submitted as of April 2016 indicates that the overall status of one project has been assessed as 'Green', six as 'Amber' and one as 'Red'.



## 8 Supporting Information

## Financial Performance - revenue

- 8.1 The 2015/16 financial year was another difficult year financially for the Council, with a continued reduction in Government funding, as well as an increased demand for Council services. The Council has managed to protect Council services whilst ensuring that there is sufficient budget for the next financial year to deliver its key outcomes. This has been achieved whilst delivering a freeze for Council Tax for the third time in the past four years. Against this backdrop of reducing funding for Council services the Council has performed strongly to achieve a relative small over spend position and maintain General Fund balances at acceptable levels.
- 8.2 The Council had to contend with other additional externally driven pressures during 2015/16 that had not existed in previous years. The budget included a total expected budget savings programme of £9.79M, driven by funding reductions from Central Government. The changes to non-domestic rates and localisation of business rates continue to result in a fundamental shift in the way local government is financed. The changes have resulted in significant new risks to local authority resources that have needed to be incorporated into financial planning. In relation to Council Tax there has been a need to forecast the level of council tax support claims and ensure that overall Collection Rates held firm. Any additional income or shortfall from the above will materialise as a surplus or deficit on the collection fund and these will feed into the resources available to the Council the following year.
- 8.3 There were also some internally driven pressures that the Council managed. There has been a significant overspend in the Children's and Families service of £3.4m for the first half of the year before the service was transferred to the CSST. The Council has successfully managed these pressures through a variety of means, and primarily through driving out savings from other services areas. Although initially showing over spends the overall financial position continued to improve steadily throughout the year. At its highest point there was a forecast overspend of £2.8m. This was gradually reduced during the remainder of the year with a series of action plans and management action. The following chart shows how the Council has managed to control spend.



- 8.4 General Fund Reserves have been maintained at £8.1M to help mitigate against the continuing economic climate.

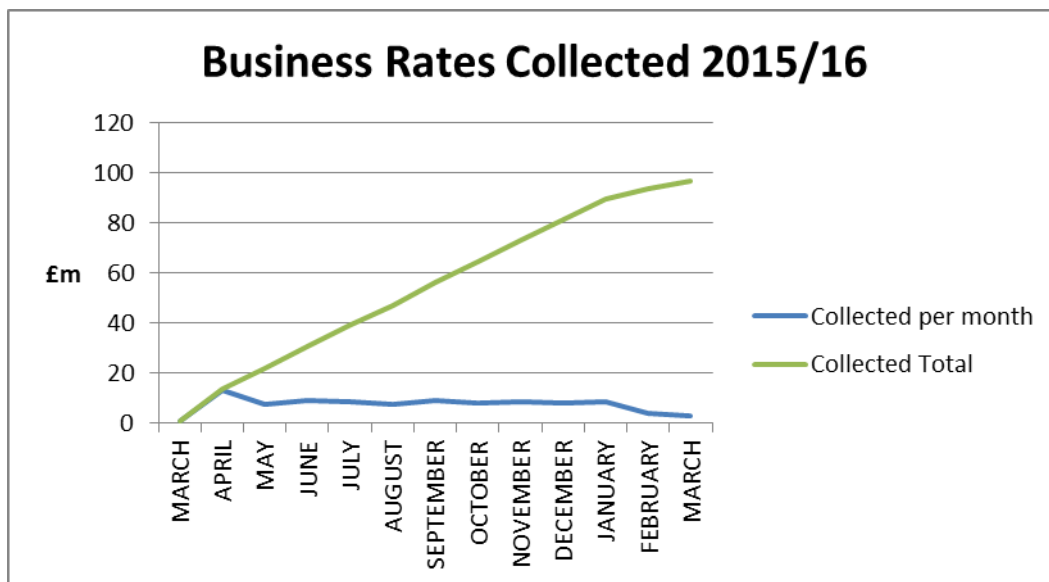
- 8.5 The 2015/16 savings programme has been continually monitored and reported during the financial year. This process has progressed during the year and has delivered 71% of the £9.79M savings programme. This process will continue in 2016/17.
- 8.6 The Capital Programme is significantly below budget by £32.2M against the revised budget of £76.9M. Re-profiling for the year into 2016/17 is largely due to a significant amount of the Housing capital programme and the Crematorium / Cemetery project. A more intense and critical focus on capital monitoring will be a priority for 2016/17. .
- 8.7 The most significant area of deviation away from their budget was Children and Families services. The Wellbeing Directorate is showing an over spend of £3.4m (5.6%), and within this is a significant pressure on the LAC Placements budgets within Children and Families service. The total overspend within this service is £2.5m.
- 8.8 Customer Services and IT is reporting an under spend at year end. There is a favourable variance of just over £1m. The favourable variance within the Community and Skills area is a result of staff vacancies in Youth Services and lower transport and associated costs. The Council has also received some additional one off planning income during the 15/16 financial year.
- 8.9 Resources, Housing and Regeneration Directorate is reporting an overall over spend of £517k. Strategic Management is reporting an over spend of £512k reflecting the pressure of achieving this year's savings of £589k. This over spend is also reflected in the savings achievement table.
- 8.10 The Chief Executive's directorate is showing an expected underspend of £108k. Savings throughout the directorate in line with savings with action plan targets enabled the directorate to contribute their share to the overall reduction of overspends.
- 8.11 The Housing Revenue Account finished the year with a surplus of £1.502m against an expected surplus of £917k. The main positive outturn variances to note for the HRA were lower borrowing costs (£500k), property repair costs (£500k) and bad debt provision costs (£300k) along with additional income receipts from dwelling rents and chargeable works (£1.060m). Offsetting against this is setting aside of £3m for future housing provision.

8.12

<b>Service</b>	<b>Budget / £k</b>	<b>Outturn / £k</b>	<b>Variance / £k</b>	<b>Variance / %</b>
Income	(37,080)	<b>(37,521)</b>	<b>(441)</b>	<b>(1.2%)</b>
Expenditure	36,163	<b>36,019</b>	<b>(144)</b>	<b>(0.4%)</b>
<b>TOTAL</b>	<b>(917)</b>	<b>(1,502)</b>	<b>(585)</b>	<b>(38.9%)</b>

## 9 **Income**

- 9.1 The Council's funding is now open to much greater levels of volatility than before with the retention of business rates and the Council Tax Support scheme. The Council received additional monies through s31 grants for measures taken by the Government as part of the Autumn Statement. These monies, of circa £1m. All these adjustments go through as in year changes, whilst the overall collection fund surpluses for Council Tax and Business Rates flow into the next financial year (for 2015/16 the Council forecast a surplus of £1.9m)



- 9.2 These figures are all provisional at present; the final figures will be included as part of the Council's Financial Statements which will be published on its website by the 30<sup>th</sup> June 2016 in draft format. The provisional outturn detailed in this report is unlikely to move significantly by the time the Financial Statements are finalised. The Financial Statements will be externally audited by BDO during the summer 2016 and the externally auditor's report will be presented, along with the final set of Financial Statements to the Audit Committee in September 2016.

## 10 **Financial Performance - Capital**

- 10.1 The Council has reprofiled a number of capital schemes from 2015/16 into 2016/17 for a variety of reasons with further detail on the progress against the capital programme by directorate in the directorate appendices attached to this report.
- 10.2 Overall, the Council spent 58% of the approved Capital Programme for 2015/16. The majority of programmes not spent in 2015/16 will be re-profiled into the 2016/17 financial year thus increasing the notional size of the 2016-17 capital programme.
- 10.3 The capital expenditure can be summarised as follows:

	15-16 Budget	Actual	% Spend
Directorate	£000s	£000s	
Resources	26,688	14,924	55.92%
Wellbeing	15,101	12,865	85.19%
Customer & Community Services	14,331	4,876	34.03%
Housing Revenue Account	11,018	9,857	89.47%
Affordable Housing	9,765	2,170	22.22%
Chief Executive		8	
<b>Total</b>	<b>76,902</b>	<b>44,700</b>	<b>58.13%</b>

## 11 Write offs

11.1 A net total of £1.6m has been written off during the final quarter of 2015/16. As in the previous reports the largest area of write offs total relates to NNDR debt (a net £1.5m). The overall total has been reduced as there have been some credit write backs. The write off across the council's services for the fourth quarter, including the reason for write off, can be summarised as follows. The write offs below are requested for approval.

Reason	NNDR	Council Tax	Former Tenant Arrears	Sundry Debtors	Housing Benefits	Total
	Value £	Value £	Value £	Value £	Value £	Value £
Unable to trace / Absconded	227,247.53	21,393.64			7,410.54	256,051.71
Vulnerable persons					32,042.52	32,042.52
Deceased		1,291.18	819.38		941.80	3,052.36
Statute Barred / Unable to Enforce	379,341.07		28,960.86	8,367.72		416,669.65
Bankruptcy		800.34		7,153.54	4,697.26	12,651.14
Instruction from Client				9,267.38		9,267.38
Nulla Bona (Returned from Bailiff)				1,400.00		1,400.00
Dissolved / Proposal to Strike / Liquidation / Receivership / Administration	295,399.22					295,399.22
Misc. (incl uneconomical to pursue)	653,738.42	716.39	660.31	616.74	0.06	655,731.92
Credit Balances	(19,072.44)	(70,033.49)	(7,052.88)			(96,158.81)
	<u>1,536,653.80</u>	<u>(45,831.94)</u>	<u>23,387.67</u>	<u>26,805.38</u>	<u>45,092.18</u>	<u>1,586,107.09</u>

## 12 Virements

Virements during the fourth quarter of the current financial year were as follows:

Service Area		Amount £	Reason
From	To		
Regeneration, Housing and Resources	Wellbeing	15,400	Corporate Landlord Charges
Wellbeing	Non- Department Costs	4,189,000	Transfer of 15/16 PFI Unitary Charge to Schools
Regeneration, Housing and Resources	Non- Department Costs	774,300	Transfer of 15/16 Building Lease Charges
Wellbeing	Non- Department Costs	200,000	Transfer of 15/16 Building Lease Charges
Regeneration, Housing and Resources	Non- Department Costs	1,381,500	Transfer of 15/16 Vehicle Lease Charges
Sources of Finance	Wellbeing	3,677,500	Transfer of 15/16 PFI Grant Budget

Wellbeing	Sources of Finance	2,148,900	Transfer of 15/16 NHS / Better Care Fund Budget
Reserves	Customer and Community Services and Regeneration, Housing and Resources	261,520	2015/16 Release from the Trans Reserve
Reserves	All Directorates	644,700	Release of Restructuring Reserve (Funding of 15/16 redundancy costs)
Reserves	Regeneration, Housing and Resources	58,930	Release of Financial System Upgrade Reserve
Wellbeing	Reserves	987,000	Direct Revenue Contribution to fund Capital Expenditure
All Directorates	Reserves	785,640	2015/16 Carry Forwards

### 13 Carry Forwards

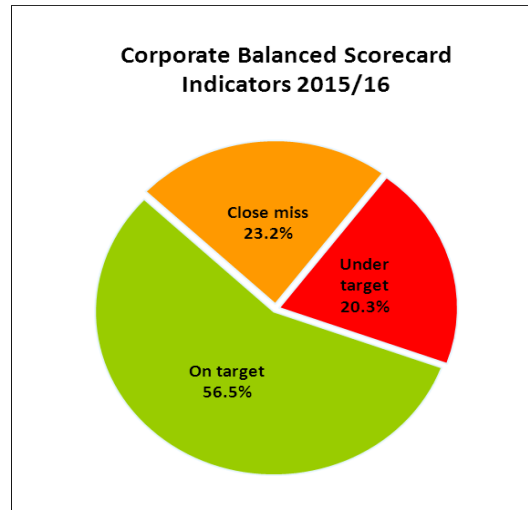
The outturn figures include carry forward requests.

### 14 Fees and Charges

- 14.1 The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 came into force on the 1st October 2015. They impose new obligations on private sector landlords to provide smoke alarms, and in certain circumstances carbon monoxide alarms, in all their rented dwellings. The regulations also place legal duties on the Council to enforce the provisions within the Regulations.
- 14.2 If the landlord fails to comply with the remedial notice within 28 days the local authority must arrange for an authorised person to attend the premises and install and test the requisite alarm(s). The local authority may impose a penalty charge of up to £5,000 on a landlord who has failed to comply with a remedial notice. A landlord who is in receipt of a penalty charge notice may request the local authority to review the penalty charge and if this is rejected the landlord has a right of appeal to the First-Tier Tribunal (Property Chamber). Penalty charge sums received by the local authority are retained by it and may be used for any of its functions.
- 14.3 The local authority must publish a “statement of principles” which it intends to follow in determining the amount of any penalty charge. Any penalty charge should be set at a level which is proportionate to the risk posed by non-compliance with the regulations and which will deter non-compliance. It should also cover the costs incurred by the council in administering and implementing the regulations. The effects of fire and carbon monoxide are well documented and often result in death or serious injury, yet the cost of installing alarms to reduce the risk is low. This risk/cost analysis together with the need to provide an effective deterrent to non-compliance has led to a recommendation for a penalty charge of £5,000 for non-compliance and agreement of the necessary delegations to officers to enforce in accordance with the statement of principles.

### 15 Council’s 5YP Balanced Scorecard update

- 15.1 This quarter, of the 69 performance indicators that were RAG rated – the majority are rated as ‘Green’ (39; 56.5%) or ‘Amber’ (16; 23.2%). Those rated as either ‘Green’ or ‘Amber’ - taken together - account for 79.7% of measures. Fourteen measures this month (20.3%) are Red rated as being off target by more than 5% in this report.



### 15.2 Noteworthy Improvements

This quarter, the following indicator which was previously reported with a target level of performance of either **Red** or **Amber** has improved:

- **Reduction in number of face to face transactions at Landmark Place** [improved from **Amber** to **Green**]

For Q1 and Q2 of 2015/16 there were 29,006 face to face transactions at Landmark Place. This is a 2.9% reduction from quarter 1 and 2 of 2014/15 of 29,871 customers served. The rate of reduction is heavily dependent on the amount of correspondence issued from departments.

For Q1, Q2 Q3 and Q4 of 2015/16 there was 54,249 face to face transactions at Landmark Place. This is a 10.722% reduction from quarter 1, 2 3 and 4 of 2014/15 of 60,758 customers served.

It has been noted that there has been a channel shift from FOH to call centre where there has been an increase of 9,716 from 2014/15 to 2015/16

Actions need to be agreed to facilitate channel shift and reduce number of face to face transactions as part of the overall digital programme.

### 15.3 Noteworthy Concerns

The following twelve indicators were rated '**Red**' this quarter as being more than 5% adrift of their currently defined target values:

- **Business rate debit increase each year**

There has been a 0.3% decrease in the net collectable debit in Q4 2015/16 compared to the beginning of the financial year.

An inward investment strategy and action plan has been developed and a number of new businesses have set up, although the decrease in business rate debit is a wider issue. We are also waiting on the Valuation Office Agency to bring some other properties into rating.

- **Number of tenant verification visits completed**

*[This was reported the previous quarter]*

Third quarter number of verifications were a drop on the two previous quarters, however, overall increase on the whole of 2014-15 therefore, direction of travel is up.

Currently the spend to save is tied up with the stock condition survey, which will allow all properties surveyed to have a basic verification exercise to be carried out. The outcome of these verifications may be identification of tenants/properties which requires a more in depth verification. Additional resource maybe required to support



this process, possibly an additional fraud officer. Beyond the condition survey, incorporation of a verification process within the RMI Contract linked to repairs/gas inspections. NHO's will continue to do in depth verification visits based upon findings and known high risk tenants.

### **Average turnaround times on Local Authority void properties**

*[This was reported the previous quarter]*

Average turnaround times based on 26 voids ended in Q1, 25 ended in Q2 and 19 ended in Q3. Each quarter's result is the year to date figure at quarter end (e.g. average of April to December for Q3)

- **Crime rates per 1,000 population: All crime**

The rolling year to date crime rate as at Mar 2016 has increased from the previous quarter period by 0.97 from 80.95 to 81.92 and is above the England average of 75.51. However the Slough rate continues to remain below the rate of Most Similar Group (MSG)

Both the England and MSG rate has also increased in comparison with similar period previous quarter.

Analysis of this increase has seen increases to serious acquisitive crime along with theft offences. Actions set during recent SSP performance to investigate increase and to work with partner agencies in working on further preventative measures. The increase in all crime is a national following tighter re-classification of offences and the inclusion of online fraud and cyber related crime for the first time.

- **Crime rates per 1,000 population: Violence against the person**

The rolling year to date for 'violence against the person' crime rate at Mar 2016 has increased by 0.66 to 22.62 which is a shorter increase than the previous quarter (0.99) The MSG also saw an increase by 1.14 along with the National picture (1.2)

With Slough's small increase in violence against the person it has helped the borough move to 1st position in the MSG table (previously 2nd)

Slough is also now closer to the national average.

Actions:

VMAP has focused on Violence and continues to identify and work with victims and perpetrators

Violence is being monitored as the changes in recording may have disproportionately increased the types of offences included in this category. The SSP is monitoring.

- **Domestic abuse incidents recorded by the Police**

#### **Rate per 1,000 population / % repeat cases (TVP)**

The rolling year to date domestic abuse incidents recorded by the Police rate as at Mar 2016 has increased again from the previous quarter figure of 32.74 to 33.5. The multi-agency approach of VMAP has helped identify key offenders (incl. repeat) and arrests have been made however despite this numbers are increasing locally and nationally. A key reason for this increase is believed to be down to more victims reporting abuse to police. The comparator rates for England and MSG are not known as yet.

- **An improved Ofsted inspection rating of good or outstanding.**

*[This was reported the previous quarter]*

Ofsted inspected Slough Children's Trust in late 2015, and will issue their draft report in February 2016.

As of 31st December 2015, Ofsted has published the results of 73 inspections of this type:

No council has yet been rated 'Outstanding'

23% have been rated 'Good'

51% have been rated 'Requires Improvement'

26% have been rated 'Inadequate'

- **Prevalence of childhood 'healthy weight' at end of primary school (Year 6) as measured by the NCMP**

*[This was reported the previous quarter]*

In 2014/15 the percentage of children of 'healthy weight' at the end of primary school in Slough of 58.9% is below England and SE averages of 65.3% and 68.6%. 13 schools have taken up the Change4life resources and a nationally supported launch is planned locally in w/c 25th Jan.

We have commissioned a revised Let's Get Going Programme and will pilot this in three schools in the spring term.

- **Percentage of pupils achieving level 4 or above in reading, writing and mathematics at Key Stage 2**

*[This was reported the previous quarter]*

Provisional achievement in the 2014-15 academic year shows a 1% drop on the previous year of 78% and is 3% under the England and South East average (80%). Slough is ranked 118th nationally out of 152 local authorities placing them in the bottom quartile.

Analysis of the results highlights weaknesses with mathematics and writing. Consequently, the focus is on selecting the vulnerable schools in these areas and introducing a booster programme for maths in Year 6 as an immediate action, alongside a longer term Key Stage 2 programme in selected schools to consolidate mathematics and build in sustainable improvements.

- **Cumulative percentage of the eligible population aged 40-74 offered an NHS Health Check**

*[This was reported the previous quarter]*

Competing demands on practices to deliver other improvements has limited the return this quarter. The delivery model remains a mix of checks through GP practices and ad hoc screening offered in the community. Work is underway to design a revised cardiac pathway via the Better Care Fund which will increase capacity to run the checks.

- **Cumulative percentage of the eligible population aged 40-74 offered an NHS Health Check who received an NHS Health Check**

*[This was reported the previous quarter]*

Competing demands on practices to deliver other improvements has limited the return this quarter. The delivery model remains a mix of checks through GP practices and ad hoc screening offered in the community. Work is underway to design a revised cardiac pathway via the Better Care Fund which will increase capacity to run the checks.

Competing demands on practices to deliver other improvements has limited the return this quarter. Despite the lower than national offer above, the percentage who did receive the checks was above the national average see below.

- Rate of mortality from all cardiovascular diseases (including heart disease and stroke) in persons less than 75 years per 100,000 population.**  
 This rate published in the Public Health Outcomes Framework in Dec 2015 reflects 231 deaths - a reduction from 241 total deaths in 2011-12. 66% were in males and the PHOF estimates that 111 were preventable in males and 42 in females.  
 Health checks and smoking cessation will take time to impact on this indicator as will work in the CCG to improve diabetes and cardiovascular care. A new national diabetes prevention programme is to launch in May 2016 which will help those with diabetes who have risk factors for wider cardiovascular disease  
 A cardiac rehabilitation service has been funded by the CCG and an integrated cardiac prevention service has been agreed through the Better Care Fund.
- Social Isolation: percentage of adult social care users who have as much social contact as they would like**  
*[This was reported the previous quarter]*  
 The Adult Social Care Survey is collated and reported annually by Health & Social Care Information Centre (HSCIC). In 2014/15 255 residents completed and returned the survey which is lower than the previous year of 340 completed and returned. here was a 2.0% increase between 2013/14 and 2014/15. However the social isolation rate reported locally for 2014/15 was below the England value (44.8%) and South East value (47.1%).  
 The new Voluntary sector strategy and re-commissioning process has as one of its clear objectives reducing social isolation of vulnerable adults. The new services to support this outcome will start to take effect from early next financial year.
- Reduction in corporate building space (%)**  
 This indicator is linked to Asset Challenge/ Corporate Landlord work streams and seeks to reduce overall property costs by £1.4m by 31/3/19. This target was only achievable if the Council were to negotiate the early surrender of the lease at LMP, which would save circa £350k per annum. .

## **16 Council's 5YP Outcome update**

16.1 The summary below provides CMT with an update on the Council's 5YP outcome updates as at the 30<sup>th</sup> April 2016. Individual outcome progress reports have been made by Outcome Leads.

### **16.2 Monthly Period Summary**

16.2.1 This report covers the Five Year Plan (5YP) 8 outcomes in total; highlight reports for all have been received in time for this report with the exception of:

- Outcome 5: Children and young people in Slough will be healthy, resilient and have positive life chances

16.2.2 Of the seven highlight reports which have been RAG-rated as at April 2016, the overall status of three have been assessed at 'Green', three at 'Amber' and one at 'Amber/Green'.

16.2.3 For 'Timeline' five projects have been evaluated at 'Green' status and two at 'Amber'.

16.2.4 For 'Budget' three are assessed at 'Green', three at 'Amber' and one at 'Red'.

**16.2.5** For 'Issues and Risks' six have been evaluated at 'Amber' and one at 'Amber/Green'.

Fuller details are provided in the table beneath.

**Outcome Leads assessed status of 5YP 8 Outcomes as at:  
30<sup>th</sup> April 2016**

	<b>5YP Outcome</b>	<b>Overall status</b>	<b>Timeline</b>	<b>Budget</b>	<b>Issues + Risks</b>	<b>Key issues of risk / obstacles to progress</b>
1	Slough will be the premier location in the south east for businesses of all sizes to locate, start, grow and stay	<b>GREEN</b>	<b>Green</b>	<b>Green</b>	<b>Amber</b> ↑ <b>(was Red)</b>	
2	There will be more homes in the borough, with quality improving across all tenures to support our ambition for Slough	<b>AMBER</b>	<b>Green</b>	<b>Amber</b>	<b>Amber</b>	<ul style="list-style-type: none"> <li>Increased PS market rent levels rendering the sector inaccessible to households on benefits.</li> <li>Exponential growth in homelessness due to welfare reform and demand for private sector accommodation.</li> <li>Lack of HRA investment funding for new build following Emergency Budget plans to impose 4% rent reduction.</li> <li>Increase in construction costs rendering small and infill site development non-viable.</li> <li>Staff vacancy rate and inability to recruit to undertake housing regulation functions.</li> <li>Legislation and CLG guidance on site viability undermining S106 negotiations for provision of affordable housing.</li> <li>Planning policy weakened by results of SMA and UCS identifying requirement for step change in housing delivery rates.</li> <li>National delays in providing clarity on RTB extension, Pay to Stay, compulsory sale prevent scheme development for affordable housing leading to delays.</li> </ul>
3	The centre of Slough will be vibrant, providing business, living, and cultural opportunities	<b>GREEN</b>	<b>Green</b>	<b>Green</b> ↑ <b>(was Amber)</b>	<b>Amber</b>	<ul style="list-style-type: none"> <li>Resource allocation</li> <li>Budget identification</li> </ul>
4	Slough will be one of the safest places in the Thames Valley	<b>AMBER/ GREEN</b>	<b>Green</b>	<b>Amber</b>	<b>Amber/ Green</b>	<ul style="list-style-type: none"> <li>Permanent CS Partnership manager in post.</li> <li>Procurement of DA services to cover transition with contract arrangements and new provision from April 2016. Contract in place from 1st April 2016 with DASH.</li> <li>Vacancies in Neighbourhood Services and capacity to deliver.</li> <li>Staff attendance at WRAP</li> </ul>

						<p>training session; need to maintain momentum.</p> <ul style="list-style-type: none"> <li>• Prevent Co-ordinator in place 1st September.</li> <li>• CSE Co-ordinator post in place and based in Slough Children's Trust.</li> </ul>
5	Children and young people in Slough will be healthy, resilient and have positive life chances	No updated received this month				
6	More people will take responsibility and manage their own health, care and support needs	AMBER	Amber	Amber	Amber	<ul style="list-style-type: none"> <li>• Timescale for delivery of all actions not achieved.</li> <li>• Monitoring of delivery of actions through outcome 6 steering group and ASC programme board – and corrective actions taken or escalation of risk/issues to transformation board/CMT.</li> <li>• Ability to deliver the revenue savings.</li> <li>• Monitoring through ASC DMT and corrective action or escalation taken.</li> <li>• Impact on key performance targets.</li> <li>• Monitoring through ASC DMT and corrective action or escalation taken</li> <li>• Key prevention services do not reduce the number of people requiring support or reducing level of needs for care support.</li> <li>• Development of a new prevention strategy and return on investment key part of this strategy.</li> <li>• More people request support than anticipated for new responsibilities under the care act – demand for services outstrips available funding.</li> <li>• Monitoring of this via ASC DMT and ASC Programme board – corrective actions taken or escalation of risk/issues to transformation board/CMT.</li> <li>• Management of lots of change at same time – capacity and change fatigue.</li> <li>• Monitoring of this via ASC DMT and ASC Programme board – corrective actions taken or escalation of risk/issues to transformation board/CMT.</li> <li>• Management information and data.</li> <li>• New PID and performance framework being developed - Monitoring of this via ASC DMT and ASC Programme board – corrective actions taken or escalation of risk/issues to</li> </ul>

						transformation board/CMT.
7	The council's income and the value of its assets will be maximised	<b>GREEN</b>	<b>Green</b>	<b>Green</b>	<b>Amber</b>	<ul style="list-style-type: none"> <li>Maximising the use of capital resources - Ability to deliver the capital programme in line with expectations of spend.</li> <li>Maximising savings from procurement / commissioning – Ensuring that the strategic commissioning cycle is embedded across the organisation / complied with to deliver best value.</li> <li>Ensuring sufficient support to administer the LAPP scheme – demand is unknown at present (Risk mitigated in part by limiting the scheme to 10 to begin with).</li> </ul>
8	The council will be a leading digital transformation organisation	<b>AMBER</b>	<b>Amber</b>	<b>Red</b>	<b>Amber</b>	<ul style="list-style-type: none"> <li>Capital investment requirements higher than present budget allocation.</li> <li>Lack of in house capacity to deliver transformation.</li> </ul>

## 17 Council's Gold Project Update

17.1 The summary below provides CMT with an update on the Council's Gold Projects as of 08 April 2016.

### 17.2 Monthly Period Summary

This report covers 8 Gold Projects in total; all highlights report have been received in time

The Accommodation Strategy and Flexible working project has been formally closed, therefore will no longer be included in Gold project highlight reporting.

The status of Gold Projects is summarised as follows:

Risks and Issues				
Red	Amber	Green	Not Specified	
2	6	0	0	
6%	17%	0%	0%	

On Time				
Red	Amber	Green	Not Specified	
1	7	0	0	
3%	20%	0%	0%	

To Budget				
Red	Amber	Green	Not Specified	
1	3	4	0	
3%	9%	11%	0%	

Overall Status			
Red	Amber	Green	Not Specified
1	6	1	0
13%	45%	13%	0%

Fuller details are provided in the table beneath.

**Project Manager / Sponsor assessed status of Gold Projects as of:  
8<sup>th</sup> April 2016**

Gold Project Name	Overall Status	Timeline	Budget	Issues + Risks	Sponsor Approval Status	CMT Recommendations
1 Accommodation Strategy & Flexible Working	Green ↔	Green ↔	Green ↔	Green ↑	N/A	Note this project is now formally closed
2 Fit for the Future	Amber ↔	Amber ↔	Green ↔	Amber ↔	Approved	CMT are asked to ensure SLT commit to regular team visits across the Council.
3 School Places Programme	Amber ↑	Amber ↔	Green ↔	Red ↔	N/A	Latest report not received
4 Adults Social Care Reform Programme	Amber ↔	Amber ↔	Amber ↔	Amber ↔	Approved	None
5 The Curve	Red ↔	Red ↔	Amber ↔	Red ↔	Not Approved	None
6 ERP	Amber ↔	Amber ↔	Amber ↔	Amber ↔	Approved	None
7 Digital Transformation	Amber ↔	Amber ↔	Amber ↔	Amber ↔	Approved	None
8 RMI Contact	Amber ↓	Amber ↓	Green ↔	Amber ↔	Approved	None
9 Environmental Services Contract Procurement	Green ↔	Amber ↔	Green ↔	Amber ↔	Approved	None

N.B. Arrows show direction of change in RAG rating since the last Project Highlight report

↓ Indicates a reduction in status

↑ Indicates an improvement in status

↔ Indicates maintained status since last report or new Gold Project on the portfolio

## 18 Comments of Other Committees

n/a

## **19 Conclusion**

Overall the Council is reporting an over spend of £41k for the 2015/16 financial year. A number of capital projects will be re-profiled into the 2016-17 financial year thus increasing the capital budget for 2016-17. Overall Council performance has flagged up some areas of red performance as highlighted in paragraph 6.11 above. Of the eight Gold projects only one has been assessed as “Green”, six as “Amber” and one as “Red”. Of the eight highlight 5YP outcome reports which have been RAG-rated as at March 2016, the overall status of three have been assessed at ‘Green’, three at ‘Amber’, one at ‘Amber/Green’ and one unassigned.

## **20 Appendices Attached**

‘A’ - Revenue Financial Performance summary

## **21 Background Papers**

Financial detail provided from the Council’s financial ledger



Directorate	Budget	Actual	Variance: Over / (Under) Spend
	£'M	£'M	£'M
<u>Wellbeing</u>			
Adult Social Care and Health Partnerships	32.408	33.014	0.606
Children, Young People and Families Services	25.696	28.400	2.704
Central Management	0.314	0.272	(0.041)
Public Health	(0.463)	(0.114)	0.349
<b>Total Wellbeing</b>	<b>57.955</b>	<b>61.573</b>	<b>3.618</b>
<b>Total Schools</b>	<b>(0.337)</b>	<b>(0.337)</b>	<b>0.000</b>
<b>Total Wellbeing and Schools</b>	<b>57.617</b>	<b>61.236</b>	<b>3.618</b>
<u>Customer and Community Services</u>			
Transition	0.000	(0.079)	(0.079)
Customer Services & IT	0.279	0.277	(0.002)
Community & Skills	6.197	5.506	(0.691)
Enforcement & Regulations	1.803	1.581	(0.222)
Strategic Management	0.476	0.328	(0.148)
Transactional Services	8.308	8.379	0.072
Commissioning & Procurement	1.116	0.835	(0.281)
<b>Total Customer and Community Services</b>	<b>18.179</b>	<b>16.827</b>	<b>(1.352)</b>
<u>Regeneration, Housing and Resources</u>			
Strategic Management	(0.039)	0.473	0.512
Corporate Resources	2.197	2.082	(0.115)
Housing and Environment	12.730	13.066	0.337
Estates and Regeneration	9.078	8.565	(0.513)
<b>Total Regeneration, Housing and Resources</b>	<b>23.966</b>	<b>24.186</b>	<b>0.220</b>
<u>Chief Executive</u>			
Chief Executive	0.347	0.264	(0.083)
Strategic Policy & Communication	0.767	2.017	1.250
Professional Services	2.569	1.245	(1.324)
<b>Total Chief Executive</b>	<b>3.683</b>	<b>3.525</b>	<b>(0.157)</b>
<b>Total Corporate</b>	<b>5.939</b>	<b>3.650</b>	<b>(2.289)</b>
<b>Total General Fund</b>	<b>109.384</b>	<b>109.423</b>	<b>0.039</b>
<b>% of revenue budget over/(under) spent by Services</b>			<b>0.04%</b>

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**SLOUGH BOROUGH COUNCIL****FOR INFORMATION****COPY OF REPORT CONSIDERED AND AGREED AT BUDGET COUNCIL  
MEETING - 25 FEBRUARY 2016****TREASURY MANAGEMENT STRATEGY 2016/17****1 Introduction & Background**

The Council is required to adopt the CIPFA Treasury Management in the Public Services: Code of Practice and it is a requirement under that Code of Practice to produce an annual strategy report on proposed treasury management activities for the year.

In accordance with the Treasury Management code, the council defines treasury management activities as:

“The management of the council’s cash flows, its banking, money market and capital market transactions; the effective control of the risks `The purpose of the Treasury Strategy is to establish the framework for the effective and efficient management of the Council’s treasury management activity, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

**2 Key Principles**

The key principles of the CIPFA Treasury Management in the Public Services: Code of Practice is that:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

In setting the Treasury Management Strategy, the Council must have regard for the following factors:

- The current treasury position and debt portfolio position
- The prospects for interest rates
- The approved Capital Programme
- Limits on treasury management activities and prudential indicators

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

According to the Prudential Code- the professional code of practice to support local authorities in taking capital investment decisions- the Council's prime policy objective of its investment activities is the security and liquidity of funds. Therefore the council should avoid exposing public funds to unnecessary or un-quantified risk. The council should consider the return on their investments; however, this should not be at the expense of security and liquidity. It is therefore important that the council adopt an appropriate approach to risk management with regard to its investment activities. The council employs a Treasury Management advisor, Arlingclose, to assist in the management of risk.

### **3 Current Economic Climate**

Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.

The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators however suggest recent global turbulence has not knocked the American recovery off course. The Federal Reserve did not raise policy rates at its meetings in October and November, but the statements accompanying the policy decisions point have made a rate hike in December

2015 a real possibility. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.

**Credit outlook:** The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The Bank Recovery and Resolution Directive promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Authority.

**Interest rate forecast:** The Authority's treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

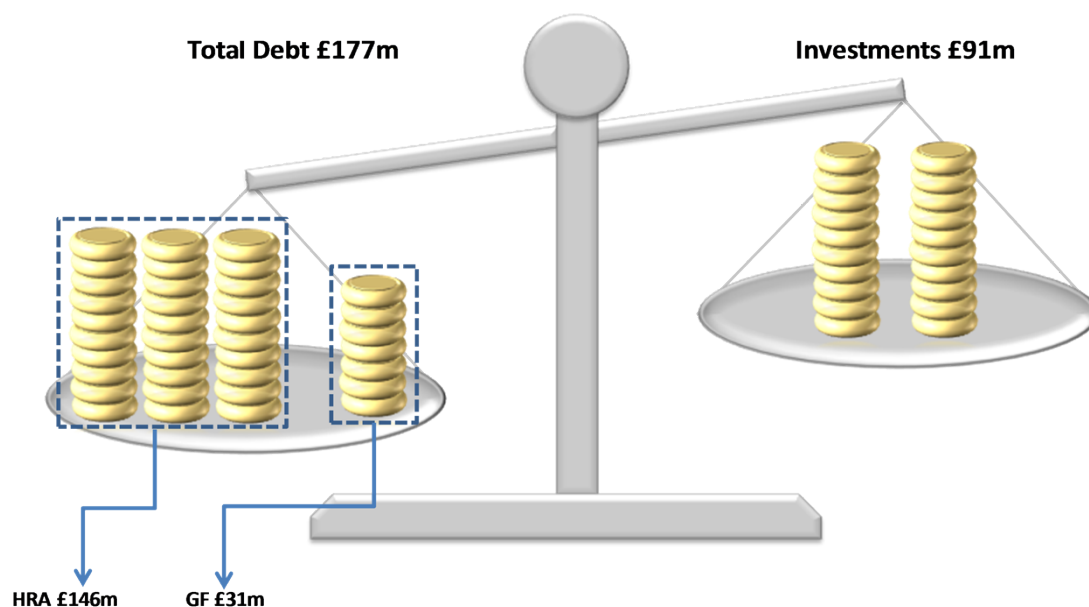
A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix A**.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 1.20%.

#### **4 Current Position**

The Authority currently has £177.4m of borrowing and £91.2m of investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.



**Table 1: Balance Sheet Forecast**

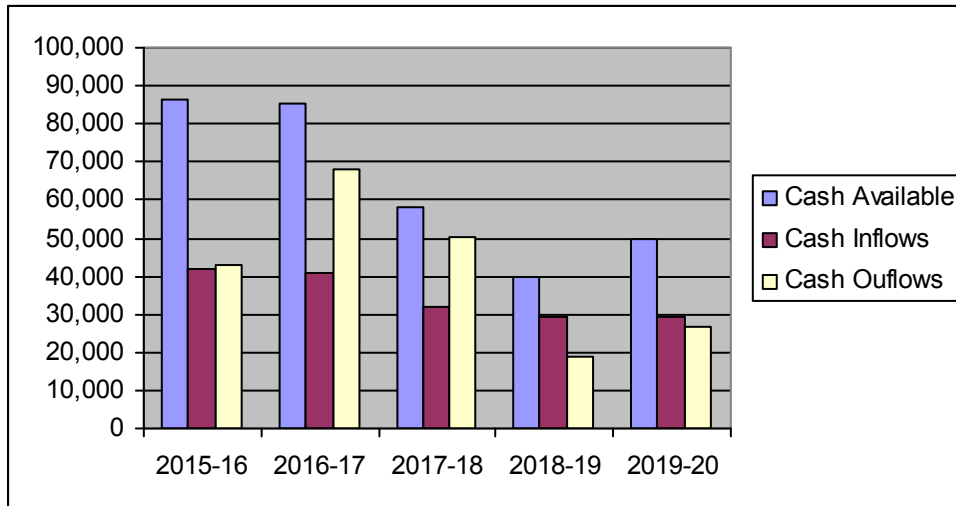
<b>Slough Borough Council</b>						
<b>Balance Sheet Summary and Projections in £millions</b>						
	<b>31<sup>st</sup> March</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
General Fund Capital Financing Requirement		136.9	142.90	159.00	174.60	177.20
HRA Capital Financing Requirement		158.1	158.1	158.1	158.1	158.1
<b>Total Capital Financing Requirement</b>		<b>295.0</b>	<b>301.0</b>	<b>317.10</b>	<b>332.70</b>	<b>335.30</b>
Less: Other long-term liabilities *		(49.60)	(46.4)	(44.3)	(42.5)	(40.4)
<b>Loans Capital Financing Requirement</b>		<b>245.40</b>	<b>254.60</b>	<b>272.80</b>	<b>290.20</b>	<b>294.90</b>
Less: External borrowing **		(182.3)	(177.3)	(173.30)	(189.4)	(205.0)
<b>Internal (over) borrowing</b>		<b>63.10</b>	<b>77.3</b>	<b>99.50</b>	<b>100.80</b>	<b>89.90</b>
Less: Usable reserves		(120.1)	(116.1)	(114.0)	(113.0)	(113.0)
<b>Net Borrowing Requirement/(Investments)</b>		<b>(57.00)</b>	<b>(38.80)</b>	<b>(14.50)</b>	<b>(12.20)</b>	<b>(23.10)</b>

\* finance leases and PFI liabilities that form part of the Authority's debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

**Table 1a: Cash Flow Forecast**

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Cash Available</b>	86,342	85,254	58,199	39,780	49,889
<b>Cash Inflows</b>	41,937	40,847	32,046	29,102	29,158
<b>Cash Outflows</b>	43,025	67,903	50,465	18,993	26,703



The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves are the underlying resources available for investment. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2016/17.

## 5 **Borrowing Strategy**

The Authority currently holds £177.3 million of loans, an decrease of £5m million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow] in 2016/17.

**Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

**Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for

incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

**Sources:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

**LGA Bond Agency:** Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet and the Capital Strategy Board.

**LOBOs:** The Authority holds £13m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £4m of these LOBOS have options during 2016/17, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to the current £13m.



**Short-term and Variable Rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

**Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

**Table 2: Current Borrowing Position**

PWLB or Market	Type	Loan	Start Date	Maturity	Principal	Type
PWLB	Fixed	497998	30/09/2010	30/03/2017	4,000,000	Pooled
PWLB	Fixed	497752	27/08/2010	24/08/2017	3,000,000	Pooled
PWLB	Fixed	497999	30/09/2010	29/09/2021	4,000,000	Pooled
PWLB	Fixed	498000	30/09/2010	29/09/2024	4,000,000	Pooled
PWLB	Fixed	498001	30/09/2010	30/09/2027	4,000,000	Pooled
PWLB	Fixed	487800	28/05/2003	25/03/2028	1,000,000	Pooled
PWLB	Fixed	500578	28/03/2012	28/03/2028	20,000,000	HRA Self Financing
PWLB	Fixed	488859	08/07/2004	25/09/2029	500,000	Pooled
PWLB	Fixed	481989	14/01/1999	25/03/2030	31,126	Pooled
PWLB	Fixed	489227	28/10/2004	15/10/2031	5,000,000	Pooled
PWLB	Fixed	500582	28/03/2012	28/03/2032	20,000,000	HRA Self Financing
PWLB	Fixed	490923	22/12/2005	01/05/2036	3,000,000	Pooled
PWLB	Fixed	490924	22/12/2005	01/08/2036	5,000,000	Pooled
PWLB	Fixed	500579	28/03/2012	28/03/2037	20,000,000	HRA Self Financing
PWLB	Fixed	494837	01/10/2008	01/08/2038	5,000,000	Pooled
PWLB	Fixed	500584	28/03/2012	28/03/2039	20,000,000	HRA Self Financing
PWLB	Fixed	500581	28/03/2012	28/03/2041	15,841,000	HRA Self Financing
PWLB	Fixed	500580	28/03/2012	28/03/2042	20,000,000	HRA Self Financing
PWLB	Variable	500583	31/03/2012	28/03/2022	10,000,000	HRA Self Financing
Market	LOBO	64	12/07/2004	12/07/2054	4,000,000	Pooled
Market	LOBO	65	07/04/2006	07/04/2066	5,000,000	Pooled
Market	LOBO	66	28/04/2006	28/04/2066	4,000,000	Pooled
					<b>177,372,126</b>	

## 6 Housing Revenue Account Self-Financing

Central Government completed its reform of the Housing Revenue Account Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.

The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA

Code recommends that authorities present this policy in their TMSS. 3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General

Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. As part of the reform of the HRA Housing Revenue Account Subsidy system at the end of 2011/12, the HRA needed to make a payment of £135.841m to the Government. £125.841m of this was financed by PWLB loans listed above. £10m was in respect of an internal loan from the General Fund. The General Fund currently charges 3.27% interest on this amount or £327,000 per annum.

## 7 **Investment Strategy**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £81 and £107 million, and similar levels are expected to be maintained in the forthcoming year.

**Objectives:** Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

**Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2016/17 where opportunities arise. This is especially the case for the estimated £40m that is available for longer-term investment. The authority has reduced the amount it invests in short-term unsecured bank deposits, certificates of deposit and money market funds to around 45% of its total investments. Most of these investments are for the management of the authority's short term cash flow, and are invested in either instant access call accounts or notice accounts where the exposure is for a maximum of 95days.

**Approved Counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved Investment Counterparties and Limits

<b>Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£15m 5 years	£15m 20 years	£15m 50 years	£5m 20 years	£5m 20 years
AA+	£15m 5 years	£15m 10 years	£15m 25 years	£5m 10 years	£5m 10 years
AA	£15m 4 years	£15m 5 years	£15m 15 years	£5m 5 years	£5m 10 years
AA-	£15m	£15m	£15m	£5m	£5m

	3 years	4 years	10 years	4 years	10 years
A+	£15m 2 years	£15m 3 years	£15m 5 years	£5m 3 years	£5m 5 years
A	£15m 13 months	£15m 2 years	£15m 5 years	£5m 2 years	£5m 5 years
A-	£15m 6 months	£15m 13 months	£15m 5 years	£5m 13 months	£5m 5 years
BBB+	£5m 100 days	£5m 6 months	£15m 2 years	£2.5m 6 months	£2.5m 2 years
BBB or BBB-	£5m next day only	£15m 100 days	n/a	n/a	n/a
None	£3m 12 months	n/a	£5m 25 years	n/a	£5m 5 years
Pooled funds	£10m per fund				

This table must be read in conjunction with the notes below

† The time limit is doubled for investments that are secured on the borrower's assets

\* But no longer than 2 years in fixed-term deposits and other illiquid instruments

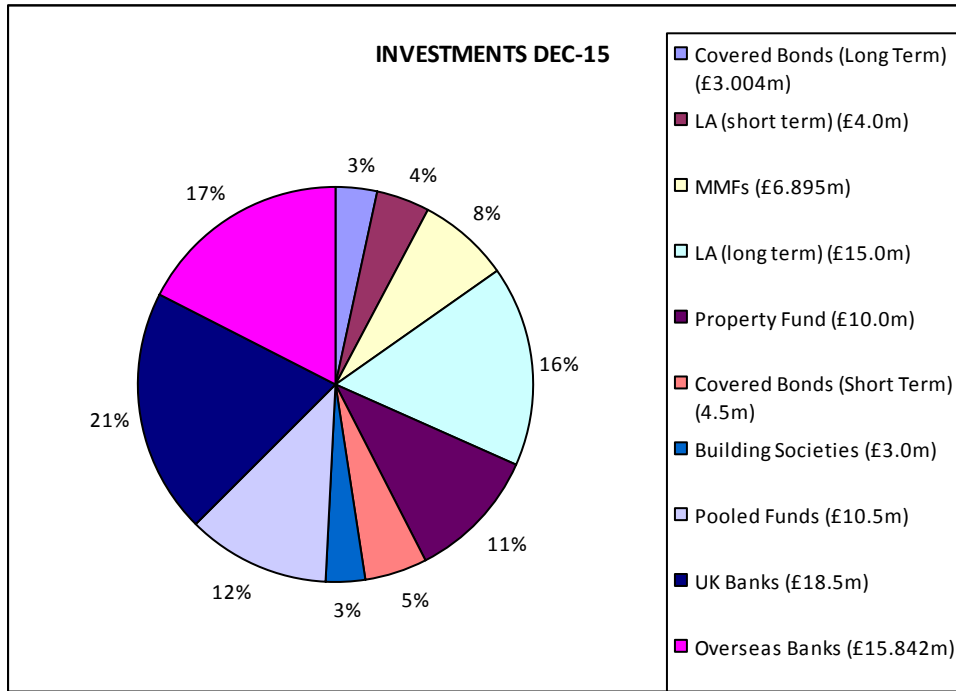
\*\* But no longer than 5 years in fixed-term deposits and other illiquid instruments

There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the EU *Bank Recovery and Resolution Directive* are implemented.

In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.

The current level of investments and the type of institution invested in is summarised below:

Table 4: Current Investments



£17.737m of the above is in instant access accounts (i.e. Call Accounts and Money Market Funds) and £8.5m in 95 day notice accounts.

## 8 Investment Opportunities

**Credit Rating:** Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

**Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

**Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

**Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

**Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Slough Urban Regeneration:** The Authority has entered into a partnership with Morgan Sindall, a Private Sector developer, for the regeneration of Slough. Under this partnership, Authority's land assets are transferred into the SUR vehicle. The Authority then receives a loan note from the SUR for the value of the land transferred. This loan note is then repaid by the SUR over time and the Authority will receive interest on the loan note of 6%.

## 9 **Risk Management**

**Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks,

which indicate a long-term direction of travel rather than an imminent change of rating.

**Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**Specified Investments:** The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

**Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	<b>Cash limit</b>
Total long-term investments	£40m
Total investments without credit ratings or rated below A-	£10m
Total investments with institutions domiciled in foreign countries rated below AA+	£10m
Total non-specified investments	£60m

## 10 Investment Limits

The Authority's revenue reserves available to cover investment losses are forecast to be £84 million on 31st March 2016. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £15 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

Table 4: Investment Limits

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£15m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£15m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£10m in total
Loans to unrated corporates	£5m in total
Money Market Funds	£50m in total
Slough Urban Renewal Loan Notes	£5m above land value

## 11 Prudential Indicators

The Local Government Act 2003 required the Council to have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

A key indicator of prudence is to ensure that over the medium term net borrowing will only be for a capital purpose and that net external borrowing does not except in the short term, exceed the total capital financing requirement in the preceding year plus

the estimates of any additional capital financing requirements for the current and the next two financial years.

**Estimates of Capital Expenditure:** The Authority's planned capital expenditure and financing may be summarised as follows.

**Table 5: Capital Programme**

<b>Capital Expenditure and Financing</b>	<b>2015/16 Revised £m</b>	<b>2016/17 estimate £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>
General Fund	49,780	76,962	39,007	15,669
HRA	19,837	15,092	14,144	14,244
<b>Total Expenditure</b>	<b>69,617</b>	<b>92,054</b>	<b>53,151</b>	<b>29,913</b>
Capital Receipts	-1,400	-2,130	-2,430	-1,500
Grants & Contributions	-23,669	-45,592	-20,634	-11,049
Revenue	-9,637	-7,392	-6,144	-6,244
Reserves	-9,000	-6,500	-6,500	-6,500
Borrowing (incl. internal)	-25,911	-30,440	-17,443	-4,620
<b>Total Financing</b>	<b>-69,617</b>	<b>-92,054</b>	<b>-53,151</b>	<b>-29,913</b>

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

<b>Capital Financing Requirement</b>	<b>31.03.16 Revised £m</b>	<b>31.03.16 Estimate £m</b>	<b>31.03.17 Estimate £m</b>	<b>31.03.18 Estimate £m</b>
General Fund	144	149.3	154.1	156.1
HRA	158.1	158.1	158.1	158.1
<b>Total CFR</b>	<b>302.1</b>	<b>307.4</b>	<b>312.2</b>	<b>314.2</b>

The CFR is forecast to rise by £15m over the next two years as capital expenditure financed by internal borrowing outweighs resources put aside for debt repayment before reducing in subsequent years where budgeted capital expenditure reduces.



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

<b>Debt</b>	<b>31.03.16 Estimate £m</b>	<b>31.03.17 Estimate £m</b>	<b>31.03.18 Estimate £m</b>	<b>31.03.19 Estimate £m</b>
Borrowing	177.372	173.372	170.372	170.372
Finance leases	9.853	8.533	7.443	6.496
PFI liabilities	36.545	35.816	35.087	33.905
<b>Total Debt</b>	<b>223.770</b>	<b>217.721</b>	<b>212.902</b>	<b>210.773</b>

Total debt is expected to remain below the CFR during the forecast period.

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

<b>Operational Boundary</b>	<b>2015/16 Revised £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>
Borrowing	258.602	260.651	282.470	284.599
Other long-term liabilities	46.398	44.349	42.530	40.401
<b>Total Debt</b>	<b>305.000</b>	<b>305.000</b>	<b>325.000</b>	<b>325.000</b>

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Authorised Limit</b>	<b>2015/16 Revised £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>
Borrowing	268.602	270.651	292.47	295.599
Other long-term liabilities	46.398	44.349	42.53	40.401
<b>Total Debt</b>	<b>315.000</b>	<b>315.000</b>	<b>335.000</b>	<b>336.000</b>

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital

expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2015/16 Revised %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>	<b>2018/19 Estimate %</b>
General Fund	7.75	7.19	7.25	7.93
HRA	12.53	12.56	12.35	12.31

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

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2016/17 Estimate £</b>	<b>2017/18 Estimate £</b>	<b>2018/19 Estimate £</b>
General Fund - increase in annual band D Council Tax	11.79	6.69	1.41
HRA - increase in average weekly rents	11.27	11.27	11.27

## 12 MRP Statement 2016/17

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

MRP in 2015/16: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

The MRP Statement will be submitted to Council before the start of the 2016/17 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

The Authority will apply Option 1/Option 2 in respect of supported capital expenditure funded from borrowing and Option 3/Option 4 in respect of unsupported capital expenditure funded from borrowing and Private Finance Initiative schemes. MRP in respect of leases brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

## 13 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following four new prudential indicators.

- Upper limits on variable rate exposure. This indicator identifies a maximum limit for variable interest rates based upon the debt provision net of investments.
- Upper limits on fixed rate exposure. Similar to the previous indicators, this covers a maximum limit on fixed interest rates
- Total principal funds invested for a period longer than 364 days. These limits are set to reduce the need for early sale of an investment and are based on the availability of investments after each year-end
- Maturity Structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of principal borrowed will be:

<b>LIMITS ON INTEREST RATE EXPOSURE</b>			
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Limit on Principal invested beyond year end	£45m	£45m	£45m
Upper limit on fixed interest rate exposure	£100m	£100m	£100m
Upper limit on variable interest rate exposure	£50m	£50m	£50m

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

### **Mature Structure of Borrowing:**

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

<b>MATURITY STRUCTURE OF BORROWING</b>			
	<b>Existing Level</b>	<b>Lower</b>	<b>Upper</b>
Under 12 months	8.0	0%	50%
12 months and within 24 months	3.0	0%	50%
24 months and within 5 years	4.0	0%	50%
5 years and within 10 years	8.0	0%	75%
10 years and within 15 years	30.0	25%	95%
15 years and within 20 years	25.5	25%	95%
20 years and within 25 years	53.0	25%	95%
Over 25 years	45.8	25%	95%

## 14 Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

**Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

**Policy on Apportioning Interest to the HRA:** On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

**Investment Training:** The needs of the Authority's treasury management staff for training in investment management are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staffs regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staffs are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

**Investment Advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

**Investment of Money Borrowed in Advance of Need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the

Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

## 15 Future Options

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income. Impact of premiums.	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain.
Invest with Local Authorities for periods in excess of 12 months	Higher rates achieved initially.	Risk that interest rates will rise (interest rate risk)
Invest in Building Societies not currently on the Council's Counterparty Risk	Potential higher returns	Risk of Credit Related Defaults as most Building Societies are unrated.
Invest in Government Treasury Bills	Very Low returns	No risk of credit default.
Invest in Registered Providers/Housing Associations.	5 year loan floating at 200bps over 6-month LIBOR (currently 0.59%) with a credit rated RP (A2 with Moody's) —5 year fixed rate loan at c3.35% with an unrated RP (Unrated RPs will pledge a pool of housing assets as security for loans borrow). Downside 6 weeks set up time.	Strong regulatory framework and oversight; Conservative financial management; High likelihood of government support
Invest in pooled Property Funds	Potentially higher returns though will require more monitoring and returns could fluctuate greatly.	Risks of investing in a property fund – very similar to the risks of direct purchases —Void periods will result in lower returns —Falling property values

		<p>can result in capital losses</p> <p>—Entry and exit costs – either as subscription/redemption fees or a bid-offer spread</p> <p>—Low liquidity compared to other types of pooled funds – 6 months’ notice is common</p> <p>Our TMA therefore recommend a minimum investment horizon of at least 5 years</p>
Pooled Funds-Liquidity Plus	Next step up from Money Market Funds. Almost as liquid as MMFs but with potentially higher returns.	As secure as MMFs we currently use but with greater fluctuations in yield.
Other Pooled Funds- e.g. Corporate Bonds, Equities.	<p>Pooled funds provide opportunities for income as well as capital appreciation.</p> <p>Accounting rules typically mean that capital gains and losses are not taken to revenue until units are sold</p>	Due to the potential volatility, the Council should be prepared for the possibility of capital value to fall before it rises
Upfront Payment of Employer Contributions to the Pension Fund	The council will save over 3% in employer contributions if it makes an upfront payment of approx £10m to the Pension Fund.	No risk other than the estimate must be robust and cannot under estimate the amount of contributions payable in the year.
Loan Notes issued through SUR.		

## 16 **Ethical Investment Policy**

The preservation of capital is the Council’s principal and overriding priority. The banks and building societies on the Council’s lending list are selected only if the institutions and the sovereign meet minimum credit criteria. In accordance with its social and corporate governance responsibilities, the Council seeks to support institutions which additionally have an ethical and responsible approach to environmental and social issues including employment and global trade

The Council could seek to invest in specific ethical funds, though there would be a charge to undertake the risk analysis of doing so from the Council’s Treasury Management advisors

## **Appendix A – Arlingclose Economic & Interest Rate Forecast November 2015**

### **Underlying assumptions:**

- UK economic growth softened in Q3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.
- Household spending has been the main driver of GDP growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.
- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the MPC.
- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The CPI rate is likely to rise towards the end of 2016.
- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.
- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. Although the timing of the first rise in official interest rates remains uncertain, a rate rise by the Federal Reserve seems significantly more likely in December given recent data and rhetoric by committee members.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressure.

## Forecast:

- Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.
- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Official Bank Rate</b>													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
<b>3-month LIBID rate</b>													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.55	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.85
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
<b>1-yr LIBID rate</b>													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	1.10	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
<b>5-yr gilt yield</b>													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	1.50	1.55	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.25	2.30	2.35	2.35
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
<b>10-yr gilt yield</b>													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.00	2.05	2.10	2.20	2.30	2.40	2.50	2.60	2.65	2.70	2.75	2.80	2.80
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
<b>20-yr gilt yield</b>													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	2.95
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
<b>50-yr gilt yield</b>													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.00	3.00
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15