Public Document Pack

WYCOMBE DISTRICT COUNCIL

Queen Victoria Road
High Wycombe
Bucks HP11 1BB

Audit Committee

Date:	12 January 2017
Time:	7.00 pm
Venue:	Committee Room 1 District Council Offices, Queen Victoria Road, High Wycombe Bucks

Membership

Chairman:	Councillor M C Appleyard
Vice Chairman:	Councillor S Saddique
Councillors:	A Lee, Ms C J Oliver, G Peart, N J B Teesdale, M Hanif and G C Hall

Standing Deputies

Councillors	P R Turner, C Whitehead, R J Scott and M Asif

Fire Alarm - In the event of the fire alarm sounding, please leave the building quickly and calmly by the nearest exit. Do not stop to collect personal belongings and do not use the lifts. Please congregate at the Assembly Point at the corner of Queen Victoria Road and the River Wye, and do not re-enter the building until told to do so by a member of staff.

Agenda

Item | **Page**

1 **Apologies for Absence**

To receive any apologies for absence.

2 **Declarations of Interest**

To receive any disclosure of disclosable pecuniary interests by Members relating to items on the agenda. If any Member is uncertain as to whether an interest should be disclosed, he or she is asked if possible to contact the District Solicitor prior to the meeting.

Members are reminded that if they are declaring an interest, they should state the nature of that interest whether or not they are required to withdraw from the meeting.

3 **Minutes** 1 - 5

To confirm the minutes of the meeting held on 17 November 2016.

11 **Supplementary Items**

If circulated in accordance with the five clear days' notice provision.

12 **Urgent Items**

Any urgent items of business as agreed by the Chairman.

For further information, please contact Jemma Durkan on 01494 421635, committeeservices@wycombe.gov.uk

WYCOMBE
DISTRICT COUNCIL

Audit Committee Minutes

Date: 17 November 2016

Time: 7.00 - 8.00 pm

PRESENT: Councillor M C Appleyard (in the Chair)

Councillors S Saddique, A Lee, Ms C J Oliver, G Peart, G C Hall and M Hanif

Also present: Sue Gill (External Auditor, Ernst & Young)

24 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor N Teesdale and Maria Grindley (Ernst & Young).

25 MINUTES

RESOLVED: That the minutes of the meeting held on 22 September 2016 be confirmed as a correct record and signed by the Chairman.

26 DECLARATIONS OF INTEREST

There were no declarations of interest.

27 2016/17 QUARTER 2 SERVICE PERFORMANCE REPORT

The Committee were provided with an update on a selection of the corporate performance measures for Q2 (July – September).

Information was provided on 19 Level 1 Measures identified by the Audit Committee which included base data as appropriate to put the percentage outturns in context.

Chairman thanked Officers again for the new look report style, in particular the ‘snapshot’ and provision of base data to helpfully put percentages and performance into context. Members were reminded that the role of Audit Committee in reviewing service performance was to flag up areas from a day-to-day management perspective that they felt needed addressing and raise these with Cabinet. A suggestion was made for Cabinet Members to attend with Officers to talk through specific service areas going forward. This was to be raised by the Chairman with the Leader.

During the discussion members made a number of points and the following questions were asked based on the quarter 2 report:

Complaints: Members asked for numbers of complaints by service so that they could better understand the spread.

Invoices paid in 30 days: The Council pay invoices within 30 days and would acknowledge this as best practice. It was requested on how this compared to supplier payments to us. If the norm was not 30 days were there any actions that could be taken to instil our best practice elsewhere?

Processing Housing / Council Tax benefit claims: Comparative data was requested to put our performance in context to 'nearest neighbours' and other districts in Bucks. It was acknowledged that assessment work is complex and needs to be correct (given links to wider benefit provision) and this will impact time taken on new claims. Anecdotal evidence given from use of local food bank in that half of users was stated reason as waiting for housing benefit. Members asked what arrangements / provision was in place for interim payments / support to help such individuals.

Council Tax and NNDR collection rates: It was noted that we have a high collection rate and that this has been sustained for many years which was a credit to the team. Information was requested to understand the following: (a) What does the 'extra' 2% (CllTax) / 1.5% (NNDR) equate to in money terms? (b) What are the key reasons that we are unable to collect 100% in both categories? (c) what is the recovery process followed? (d) what would the costs be to increase our recovery rates? i.e. to move from 98% to 98.5% (e) how do our collection rates compare to our nearest neighbours and the other districts in Bucks

Homelessness applications: Officers reported that Members had requested further information on this area at the last meeting however it was agreed that it would be more useful to invite the Service Manager (and Cabinet Member if approved) to talk about the scope of the work of the team and the increasing demand for the service to provide a fuller context to the measures reported.

Minor planning applications: Members requested a breakdown of categories of application that are classed 'minor' to understand the numbers of each. Members asked whether 'permitted development' and 'retrospective applications' was captured within this measure and the quantum / volume of these. Information was also requested about our enforcement activity and what measures we have in place to track this.

Customer Service Centre: Officers were thanked for the information sheet. Request made to have information about the scope / types of calls received in the last quarter to help members better understand the key areas of contact. Members also asked what scope we had to renegotiate our targets as parts of the contract i.e. improve the 70% target for calls answered in 20 seconds.

> **RESOLVED:** That the 2015/16 Service Performance Q2 (July – September) be noted.

28 AUDIT,RISK & FRAUD MANAGER'S HALF YEARLY REPORT

The Audit, Risk and Fraud Manager presented his progress update of the Audit, Risk and Fraud Division for the first six months of the 2016/17 financial year.

It was reported that the number of audits that had been undertaken to date was low due to a reduced audit programme and the scheduling of core financial reviews. There were seven reviews currently in progress:

- Food Safety
- Treasury Management
- Licensing (Hackney Carriages/Private Hire and Operator Licences)
- Main Accounting and Budgetary Control
- Building Control
- Tree Preservation Orders
- Waste Management Contract – Follow- up

Members noted the scheduling of the remaining programme.

The Committee were also informed that a further member of staff had been recruited to the Corporate Fraud Team which provided a complement of one FTE Corporate Investigator filled on a part time basis by two officers.

It was noted that the Department for Work and Pensions were responsible for investigating housing benefit fraud and held separate prosecuting powers to the Corporate Fraud Team. As part of its investigations the Corporate Fraud team has undertaken joint working with the Housing Team and Environmental Health team to pursue successful prosecutions.

The Corporate Fraud Team continues to review referrals from the National Fraud Initiative which is a mandatory data matching exercise between local authorities and agencies to detect fraudulent activities.

In response a query it was confirmed in the table providing the types of referrals the team had received that DPA stood for Data Protection Act , these were requests from the police under the Data Protection Act to provide information. It was noted that the acronyms would be provided in full in future reports. Also the 4 ratings used in the provision of the audit opinion would be linked more clearly to the prioritisation rating applied to the individual audit recommendations.

> **RESOLVED**: That the Audit, Risk & Fraud Manager's Half-Yearly Report for the period ending 30 September 2016 be noted.

29 APPOINTMENT OF EXTERNAL AUDITOR

The Audit Risk and Fraud Manager provided a report on the appointment of the Local Auditor for the Council, a copy of which is attached to the minutes as Appendix A.

Under the Local Audit and Accountability Act 2014 the Council is required to appoint a Local Auditor by 31 December 2017 with further appointments made at least once every 5 years. A separate engagement may be required for the audit of the housing benefit subsidy claim.

The Committee noted there were two options to appoint the Local Auditor, these were:

- That Council establish an auditor panel to oversee the procurement and make its recommendation to full Council. The Audit Panel would then be required to monitor the performance, independence and relationship with officers of the chosen External Auditor.

- To choose the Sector led route and appoint the Public Sector Audit Appointments (PSAA) which has been appointed on a nationwide basis and approved by the DCLG. The PSAA would appoint the local auditor on the Council's behalf and would be the least resource intensive option.

In the unlikely event of a relationship breakdown between the Council and the appointed Local Auditor it would be the responsibility of the PSAA to intervene and replace with another Auditor.

RECOMMENDED: That the Local Auditor for the Council be appointed by the Public Sector Audit Appointments (PSAA) Limited, which is the DCLG approved provider, be **recommended to Council**.

30 TREASURY MANAGEMENT MID-YEAR REPORT 2016/17

The Financial Services Manager presented the Treasury Management mid-year report, covering the period 1 April to 30 September 2016.

Members noted the position on borrowing activity, interest rate forecast, investments, economic summary and performance against the indicators set by CIPFA.

With regards to the Bank of England base interest rate, it was noted that this had reduced from 0.5% to 0.25% and the Council had continued to face a challenging environment to earn yield on it investments.

It was reported that regarding the low interest rates the Council's strategy continued to be to utilise cash to support the major projects programme, investing in the District and generating a higher investment return. Members were concerned at the progress regarding the major projects expenditure and requested that this be considered.

Members were also informed that regarding the £0.5m invested in an escrow account in Iceland following the collapse of the Glitnir Icelandic bank that on the 1 July 2016 the Council had received funds of £500,950k.

RESOLVED:

i) That the Head of Finance & Commercial produce an options paper outlining the potential scope of investment options through treasury management activities and by broadening the Councils activity in the property market including any specific regulatory requirements.

ii) That the Treasury Management mid-year report for the period 1 April to 30 September 2016 be noted.

31 AUDIT COMMITTEE WORK PROGRAMME

The Audit Committee work programme as appended to the agenda was reviewed by the Committee.

The Chairman suggested that training be provided during Committee meetings in association with relevant agenda items. The Chairman and officers would liaise to provide a programme of training to be received at each meeting.

The External Auditor suggested that the Certification of Grants and Claims Annual Report be circulated to the Committee for information before the next meeting.

RESOLVED:

(i) That the forward work programme be noted and updated as above.

(ii) That training topics be considered for future meetings.

32 INFORMATION SHEETS

RESOLVED: That the following Information Sheets be noted

i) 01/2016 Health & Safety – Mid-year progress report

ii) 02/2016 Customer Services Centre Performance.

____
Chairman

The following officers were in attendance at the meeting:

Jemma Durkan - Senior Democratic Services Officer
Nisar Visram - Financial Services Manager
Mike Howard - Audit, Risk and Fraud Manager
Jacqueline Ford - Corporate Policy Team Leader

RED KITE PERFORMANCE

Officer contact: Brian Daly Ext: 3601 Direct line: 01494 421601
Email: brian_daly@wycombe.gov.uk

Wards affected: All

PROPOSED DECISION

That the report be noted.

Corporate Implications

1. The promises referred to in this report are commitments which were made by the Council in its pre-ballot offer document to the tenants. The offer document was formally issued by the Council to its secure tenants in January 2011 in accordance with Schedule 3A to the Housing Act 1985 before the ballot took place in April 2011.
2. Under the terms of the Transfer Agreement dated 13 December 2011, Red Kite are obliged to comply with the terms of the offer document, which is itself included within the Transfer Agreement. Similar commitments were made to the leaseholders, although this is not a formal requirement of the legislation.

Executive Summary

3. An update report has been requested by Audit Committee relating to Red Kite's performance post housing stock transfer in December 2011.

4. There are 78 promises included in promises tracker relating to Red Kite Promise at transfer in Dec 2011 and a further 31 leaseholder commitments which have been amalgamated with the main promises document during quarter 4.

5. According to information provided by Red Kite, they have completed all of the promises made to tenants and residents prior to the 5 year 'deadline' as per the offer document.

Current Assessment against Promises made at Transfer

6. Using the performance information obtained from Red Kite, they have completed 100% of the target position (as at October 2016) for promises made at transfer.
7. More detailed information is available in the tables below and has been obtained using information available on Red Kite's website (http://redkitehousing.org.uk/work-to-your-home/the-improvements-we-have-made-so-far

Obligations under Transfer

8. As per the transfer agreement, Red Kite agreed to a number of service level agreements relating to various issues including the management of temporary accommodation and the supply of up to 50 temporary accommodation

properties.

9. The provision of up to 50 units of temporary accommodation is ongoing and will continue in line with a percentage of stock having now reduced to 47 due to Right to Buy sales. Service Level agreements relating to Saunderton Lodge and the remaining temporary accommodation stock ended in December 2014 as per the transfer contract and alternate arrangements have been implemented.

Summary

10. Overall, Red Kite have achieved the Promises made in the Transfer Offer and should be commended for achieving so much in the period post transfer.

Challenges

11. The need to make further progress on the redevelopment of Castlefields of which progress has been made, with a full planning application expected in February 2017.

Background Papers

The final ‘promises’ report from Red Kite is attached as Appendix A.

Delivery of our 109 post transfer promises

Red Kite Community Housing

1. **Install new kitchens where existing kitchens are over 15 years old**

Post transfer, we carried out a full stock condition survey to identify the actual number requiring replacement, based on the age criteria set in the offer document. The offer made clear that customers were to be offered choice of materials and also on the works being carried out. We have reconciled the original offer document numbers with the data provided by Savills, who carried out the original survey for WDC. The completed works figure, including those properties where customers declined works, have also been reconciled and verified by an independent consultancy - Impart Links, and also through an internal audit carried out by Mazars. This requirement has been fully met and completed.

Our total spend was £12.178m and this consisted of 3,273 installs. The actual original figure required was 3,762 however this included properties, some of which were subsequently sold and 489 customers who declined works.

2. **Post promises - Install new kitchens where existing kitchens are over 20 years old**

Post promises requirement to change the age criteria which does not occur during the five year promises period. Moving forward, the replacement age for this future requirement will extend the replacement life by an additional five years as part of the response to mitigating against the loss of rent convergence and the four year rent reduction policy of the Government. This action also helped to bring the lifecycle replacement in line with industry standards. We consider that this requirement is fully met.

3. **Install new bathrooms where existing bathrooms are over 20 years old**

Post transfer, we carried out a full stock condition survey to identify the actual number requiring replacement, based on the age criteria set in the offer document. The offer made clear that customers were to be offered choice of materials and also on the works being carried out. We have reconciled the original offer document numbers with the data provided by Savills, who carried out the original survey for WDC. The completed works figure, including those properties where customers declined works, have also been reconciled and verified by an independent consultancy - Impart Links, and also through an internal audit carried out by Mazars. This requirement has been fully met and completed.

Our total spend was £10.579m and this consisted of 3,604 installs. The actual original figure required was 3,928 however this included properties, some of which were subsequently sold and 534 customers who declined works.

4. Install new toilets where existing toilets are separate or additional and are over 20 years old

Our asset management system, Keystone, has been updated throughout the delivery of the promises work and provides a comprehensive database of all improvements. Reports showing component renewal dates and quantities are available.

Throughout the process we have undertaken independent audits to verify and test our delivery. This requirement has been fully met and completed.

1,501 have been completed, cost is included in the figures quoted for no. 3.

5. Post promises - Install bathrooms and separate or additional toilets where existing bathrooms are over 25 years

Post promises requirement to change the age criteria which does not occur during the five year promises period. Moving forward, the replacement age for this future requirement will be extended by an additional five years as part of the response to mitigating against the loss of rent convergence and the four year rent reduction policy of the Government. This action also helped to bring the lifecycle replacement in line with industry standards. We consider that this requirement is fully met.

6. Install boilers where they are over 12 years old along with new radiators as identified as necessary by our surveyor

Post transfer, we carried out a full stock condition survey to identify the actual number requiring replacement, based on the age criteria set in the offer document. We have reconciled the original offer document numbers with Savills, who carried out the original survey for WDC and have also reconciled numbers completed and declines with an independent consultancy - Impart Links, and also through an internal audit carried out by Mazars. This requirement has been fully met and completed.

The total spend was £8.029m and this consisted of 3,343 installations. The actual number required in the stock condition survey was 3,098.

7. Insulate homes as far as possible to modern standards, which could include cavity wall and loft insulation

Post transfer, we carried out a full stock condition survey to identify the actual number of homes that would benefit from improved insulation.

We have sought and been successful in obtaining external funding of £785,000 to support our programme and have not only carried out thermal insulation works to roofs and cavities, but also embarked on a wide ranging External Wall Insulation programme costing £4.5 million, bringing forward a number of homes/estates built using non-traditional construction to benefit from full external refurbishment. This requirement has been fully met and completed. Other components which add to increasing insulation values, such as improved windows and doors, have also been installed. We consider that we have fully met this requirement.

8. **Post promise - Replace boilers of more than 12 years old, and then every 12 years (sheltered schemes with communal boilers will be looked at separately)**

Our business plan has made an ongoing allowance to replace boilers every 12 years, or sooner, in line with this post promise requirement. All boilers requiring replacement according to the set 12 year timescale are scheduled for replacement in our asset management database. We consider that this requirement is fully met.

9. **Survey homes every 5 years and carry out necessary external decorations and repairs**

Post transfer, we carried out a full stock condition survey to identify the actual number of elements requiring replacement, based on the age criteria set in the offer document. We have also set out the process to complete our recurring 5 year survey. The next survey will commence in the New Year (2017). We have a full programme of cyclical works that operates on a five year cycle - currently we are in year three of this five year cycle. This requirement has been fully met and completed.

10. **Undertake painting and repairs to communal areas, halls and corridors every 5 years.**

Refer to no. 9 above

11. **Introduce programme to repair fences and gates and put up new ones where needed, within budget of £1m**

Post transfer, we carried out a full stock condition survey to identify the actual number required. The necessary work has been carried as part of a comprehensive related assets contract, including work to roads and footpaths. This requirement has been fully met and completed.

We have spent £882k which relates to 1,400 homes.

12. Fit double glazing and secure external doors where needed

Post transfer, we carried out a full stock condition survey to identify the actual number required. The necessary work has been carried out as part of the overall promises programme. In total we have installed new windows to 1,318 to homes, at a cost of £3.202m. 3,758 front doors have been installed, costing £1.873m. We have procured and mobilised a comprehensive communal door and video entry programme which will be completed early December 2016. We consider that we meet this requirement.

13. Replace or repair windows and doors where required

Refer to no. 12 above

14. Establish a low cost redecoration programme for elderly and vulnerable people - decorate 2 rooms once every 5 years at a low cost, subject to demand

We implemented a low cost decorating scheme for elderly and vulnerable customers, offering two room decoration in any five year period. The scheme has been published widely and details of how it operates and information on how to apply are available on our website. We therefore consider that we have fully met this requirement.

We have spent £157k based on customer demand.

15. Maintain the safety of electrical systems in all homes, identify problems and respond

A programme of Electrical Installation Condition Reporting (EICR) is in place and progress is monitored monthly. All communal electrical installations have been tested and certified as safe and compliant. Individual domestic properties are subject to an electrical test at the change of tenancy. Works to repair and alteration of electrical installations is restricted to appointed contractors who have the required accreditation. Our Electrical Safety Policy sets out our approach to maintaining safe electrical installations/supplies. We have appointed specialist electrical servicing contractors for electrical works relating to door entry, fire systems and emergency lighting systems, as well as domestic installations etc. Compliance is managed closely on a monthly basis. A programme of mains powered smoke detection also takes place at the change of tenancy or at the time of an electrical test. We also helped lead a campaign for the introduction of CO detectors in social housing. We have installed CO detectors into our homes at a cost of over £275,000 ensuring that we maintain the highest safety standards for our customers. We consider that we have fully met this requirement.

16. Rewire electrical systems or provide an electrical upgrade to homes where required

We undertook a comprehensive stock condition survey following stock transfer which identified all homes requiring electrical rewiring/upgrading. All homes benefiting from a new kitchen/bathroom were subject to a full house Electrical Installation Condition Report (EICR) and any defects or concerns were addressed. Consumer units, lighting circuits and ring mains to the rooms being upgraded were renewed as part of the wider works. Communal electrical upgrades have taken place as required with enhanced lighting being installed. This requirement has been fully met and completed.

We have spent £1.016m and 3,149 upgrades/rewires have been completed.

17. Reroof homes where needed - estimated 650 homes

We undertook a comprehensive stock condition survey following stock transfer which identified all homes requiring new roofs. We have undertaken all relevant pitched and flat roof renewals required.

At the time of carrying out this work we have taken the opportunity to upgrade loft/flat roof insulation as well as all relevant rainwater goods, fascia and soffits. These works have also necessitated the removal of large quantities of asbestos material, all of which have been dealt with by specialist and licenced contractors as appropriate. We therefore consider that we have fully met this requirement.

£2.633m has been spent and 699 roofs have been completed.

18. Improve insulation to Wimpey No-Fines properties

Works have been carried out to all Wimpey No-Fines homes as part of a comprehensive External Wall Insulation programme outlined in no. 7 above. Full external refurbishment has been carried out, and a scheme chosen by customers used to improve the warmth and energy performance of their homes. Follow up reviews have determined that the scheme has been extremely successful and has resulted in considerable improvement in thermal performance and satisfaction. Therefore this requirement is fully completed.

The total spend was £2.925m and 246 homes in total benefited from a range of EWI schemes.

19. New parking bays/hard standings - Budget £500,000 to Dec 2016

Our Environmental Improvement Group (who are volunteers) is well established and oversees applications for environmental improvement projects, including parking schemes.

They developed a parking strategy which was approved by our Board and has subsequently been using this to evaluate new bids for parking schemes. This requirement has been fully met and completed.

We have spent £627k

20. Use fittings and materials that improve energy efficiency of homes

Following on from no's 6, 7, 12, 15, 16, 17, 18 above, all of our investment and improvement programmes have been specified to reduce the consumption of energy in our customers' homes. This includes the use of low voltage fittings in electrical rewires and during void repairs, fitting of new condensing boilers and air source heat pumps where gas has not been available, and new energy efficient windows and doors.

The overall impact of these works has increased the average SAP rating of our stock to 70.5 from the transfer level of 67.36.

The current SAP rating of 70.5 is well above the national average which is 56.7. We consider this requirement to be fully met.

21. Ensure improvement work is defect free and finished to the highest possible standard

All improvement work is specified and managed by Red Kite. All work meets industry standards and regulations and is in accordance with the choices and standards set by our customers. All contractors must adhere to our service standards and contractor charter and meet the Red Kite Homes Standard.

Works are fully inspected before being handed over and all customers have the opportunity to provide feedback. Satisfaction levels are recorded and monitored monthly. Results are published throughout the organisation and overall satisfaction with the works is very high currently over 95%. We consider that this requirement is fully met.

22. Seek feedback on every improvement carried out to maintain the highest level of customer service at all times

As per no. 21 above

23. Enable people to live and stay in their homes longer by providing a budget of £500,000 per year for disabled adaptations.

We have provided the funding promised each and every year and will continue to commit up to this sum moving forward, subject to making the best use of our assets as a priority. Customers have continued to see an improvement in this service area, reducing the average waiting time from 52 weeks to 8 weeks in 2016/17 to date.

We have continued to fund an Occupational Therapist post from Bucks County Council during the promise period to ensure that our customers receive an efficient and flexible service, and we have ensured that customers with emerging needs identified during the major investment programme have also been identified and their needs catered for whilst works have progressed. This has meant that kitchens and bathrooms have been built around customer need to forgo the need for a future adaptation. We have dealt with the demand from customers applying for adaptations and adapted/converted homes helping to ensure that our customers are assisted in their daily living and able to remain in their homes longer. We have fully met this requirement and hence it is complete.

We have spent £2.393M to date, and this equates to approximately 1,100 adaptations.

24. Provide annual budget for each scheme to spend on additional improvements, based on £50 per home per year

We have set aside £50 per sheltered scheme home on an annual basis for customers to agree local projects and spend priorities.

15 schemes have formed their own budget committees and bank accounts to manage the funds, and the other 14 are supported by us to make their own purchases.

We have continued to monitor the spend and a wide variety of items and activities have been funded. We consider that this requirement has been fully met.

We have spent £254k to date.

25. Tailor improvement works to each sheltered scheme seeking customers views on the type and level of improvements

We have carried out an extensive programme of sheltered scheme improvements, including refurbishing many common rooms including decorations, curtains, etc. We have upgraded kitchens and bathrooms and also door entry systems where needed.

We have retained 3 specialist sheltered staff who support social activities and work in conjunction with Connect who have responsibility under the Bucks County Council contract to organise activities. Parking improvements have been carried out via our Environmental Improvement Group; free internet is available and Wi-Fi has recently been upgraded; and we have in place a programme of window cleaning and grounds maintenance at all our schemes. Customer satisfaction with sheltered facilities and environment is high. Customers have been involved in the type and level of improvements and their views have influenced choices such as wall coverings, fabrics and the design of refurbished facilities. We consider that we have fully met this requirement.

26. Continue to provide a warden service for all sheltered housing schemes and a visiting mobile warden service to customers in other older people's accommodation and to assist with providing staffing cover at sheltered schemes

Following Government cuts to Supporting People funding, our support contract with Bucks County Council ended in January 2016. We are no longer the provider of the support service and therefore the warden service does not exist under the new model of support. However, individual support is still available to all customers who qualify through a new contract provided by Connect Floating Support. In addition, we have three sheltered specialists who visit all our schemes regularly and who undertake monthly surgeries with the residents, as well as monitoring other services and working closely with other agencies who provide support in our schemes. We consider that we have met our obligations under this requirement.

27. Continue to provide access to a 24 hour monitoring alarm service for those who do not live in sheltered accommodation

Bucks County Council have now provided the 24 hour monitoring service under a different contract model with one county-wide provider. We no longer directly provide this service in individual homes (but we do still provide this in our sheltered communal areas). A 24 hour alarm service remains available to all sheltered customers who have requested it via Bucks County Council's Telecare service.

For older person's non-sheltered properties such as bungalows, this service can also be provided via the County at a customers' request. As this is a county-wide scheme, we have continued to provide the service that is within our control in the communal areas and therefore we consider that we have met our obligations under this requirement.

28. Continue to provide concessionary TV licences as long as current regulations permit

Concessionary TV licences are provided in our sheltered schemes to eligible customers. We consider that we fully meet this requirement.

29. Deep clean or replace carpets in communal areas of Sheltered schemes or replace if in poor condition

Carpets have been replaced as part of common room upgrades and redecorations where necessary, and a budget is in place if carpets need replacing/cleaning in between scheduled works. We consider that we fully meet this requirement.

30. Upgrade existing communal TV aerial systems to digital in sheltered schemes within 12 months of transfer

We successfully converted 1,636 sheltered homes and 1,361 general need homes to digital TV services before the switchover occurred. All homes have access to a full range of free to air, or subscription services. We have further added free Wi-Fi into all sheltered scheme communal areas for our customers to ensure that they are fully connected to digital services. We consider that we fully meet this requirement.

31. Where redevelopment is planned and it would not be cost effective to carry out repairs and improvement from the transfer matters document, comply with statutory repairing responsibilities

We provide a statutory repairs service to all occupied homes. This requirement has been met.

32. Set up a garden maintenance assistance scheme for older and disabled customers - Budget of £25,000 per year until 2016

We have set up a garden assistance service for customers that are vulnerable or over 60 years old, which is operated through our partner John O'Connor. Customers can order directly for a range of services and this is charged at preferential rates. We consider that we have fully met this requirement.

33. Set up a handyperson service for older and disabled customers at a small charge

We have set up a handyperson service for customers that are vulnerable or over 60 years old - this is operated in partnership with our repairs and maintenance contractor Axis. Customers can order directly for a range of services and this is charged at preferential rates. We publicise the scheme widely and details of how it operates and how to apply are provided on our website. We consider that we have fully met this requirement.

34. **Convert sheltered bedsits. Budget of £3.35m allocated**

At transfer there were 108 homes that could not be used as they were either set aside for future bedsit conversion or were uninhabitable. We have carried out a number of schemes aiming to convert these homes into useable quality accommodation, and as a result we have created 66 new homes for the community. We consider that we have fully met this requirement.

We have spent £2.068m on the bedsits to date

35. **Red Kite to consult the 58 tenanted and 14 leaseholder units in the Star Blocks in Castlefield (Chairborough Road and Pettifer Way) on the options for their flats' regeneration - Red Kite to invest around £10.5 million to regenerate these blocks**

Post transfer, the offer required us to carry out a consultation with the community over the scope and need for regeneration, and to undertake a feasibility study/option appraisal. Subsequently, a programme was started to purchase the leasehold homes on the estate, which took nearly three years and significantly more cost than allowed for in the transfer business plan. The Council were asked to support this process with Compulsory Purchase Orders (CPO) and this was not finally confirmed until early 2016. However, all homes were repurchased without the need to execute the CPO. Planning discussions have been on-going for the past two years, during which time the estate has been fully decanted.

Works to redevelop the Castlefield estate have commenced. We are now progressing to timetable through the pre-planning application process, accommodating recommendations where practical from WDC planners.

A full design team is in place and currently working to deliver a planning application during the first quarter of 2017. A master plan has been produced for the whole project. The original pre-transfer business plan for Castlefield was not sufficient to redevelop the scheme, so the Board at Red Kite have made additional funds available to allow the scheme to be completed. The process of option appraising the scheme, repurchasing the leasehold homes and extensive planning process clearly never allowed for the entire scheme to be completed within the scope of the promises, and the narrative in the offer makes that clear.

The ambition was to commence the scheme and this has been achieved. We consider that we have met our obligations on this requirement.

36. Refurbish garage sites - Budget of £1.16m

Post transfer, we carried out a full stock condition survey to identify the condition of our garage stock and which sites would benefit from refurbishment programmes. We established a comprehensive programme of works based on the garage sites that were considered financially viable and undertook replacement and substantial refurbishment as appropriate. We have consulted with leaseholders extensively where freehold garages are present. We have included ongoing cyclical garage repairs as part of our external painting and repairs programme to ensure future maintenance. As with all of our domestic assets, all garage component replacement has been recorded on our asset management database and resources for renewal are included in our future business plan. We consider that we have fully met this requirement.

We have spent £628k to date

37. Set up repairs appointments on Saturday mornings and early evenings

During the development of our new repairs service, our customers determined that they did not want to activate evening and weekend appointments, however they are in the scope of the current contract and are available if required. Our customers chose this as their preferred option and we therefore consider that we have met our obligations on this requirement.

38. Offer timed and convenient appointments for all non-emergency repairs

We introduced timed appointments in line with our first new repairs contract in October 2012. They are offered to customers at their convenience at the first point of contact when reporting a repair. We consider that we have fully met this requirement.

39. Raise the quality of the repairs service by introducing a "right first time approach" - see "service quality promise" in transfer document and Red Kite standard

We introduced Right First Time as one of our key performance measures for our repairs contract. We sought to ensure that our customer's definition was compatible with that of Housemark. This is monitored by our Repairs and Voids Core Group and as part of our corporate performance framework. We have fully met this requirement.

40. Use high quality and well trained contractors who respect customers and their homes (contractor charter)

Refer to no.21 above.

41. Programme planned maintenance to ensure homes are well maintained including, gas servicing annually, redecorations, lifts and fire safety inspections and inspecting water storage with respect to legionella

We have established a comprehensive programme of planned maintenance, servicing and compliance to ensure that our homes are safe and meet all legal requirements.

As this is a key area of risk for the business, we monitor performance monthly and reconcile all the data we hold to ensure that our customers can be assured of 100% compliance in all of our homes. We employ third party auditors to ensure that our contractors are meeting their legal obligations and that the information we hold is accurate. We consider that we fully comply with this requirement.

42. Implement a five year cyclical external decoration programme of £360,000 per year

Refer to no's 9 and 10 above.

43. Maintain appropriate open spaces (including play areas) and ensure trees and shrubs are trimmed as necessary

Refer to no.105 below.

44. Implement processes to give customers more opportunities to give feedback and to make improvements based on it

Refer to no's 20, 21, 25, 64, 106, 107, 108

45. Introduce a regular programme of tenancy/property checks

Since transfer, we have developed a Customer Profile Assessment approach, which filters into a programme of home audit visits and remote tenancy check in's. We have identified the frequency that we need to proactively contact each customer and also visit each home, which is established at the point of sign up and then effected based on a range of potential risk factors and customer needs to ensure our customers are able to sustain their tenancies and better their circumstances. We therefore have a programme in place and in addition, all our homes have been visited during our stock condition survey which also picked up on major issues that we followed up on. We consider that we have fully met this requirement.

46. Introduce new timescales for repairs - to "fully complete to satisfaction of tenant"

Our customers agreed new repair timescales during the development of our repairs contract, which have been embedded into the repairs service as 1 hour for emergency, five days for urgent and 20 days. Any repairs that do not meet the satisfaction of our customers or are defective, must be rectified within the same timescale if emergency or within five days for all other repairs. Quality monitoring and surveys are carried out each month on a large sample of repairs to identify satisfaction with the service. We consider that we have met this requirement.

47. Recover full costs of providing services by charging for them, but with a ten year service charge guarantee for existing customers. Consult with customers on right standards to be provided and cost

We have adhered to the ten year service charge guarantee for all existing customers, meeting the standards set out in the offer document and meeting the service expectations subsequent to transfer. Service charge implementation was identified as a major project. New tenancies from April 2014 are set for rent plus service charges and all relevant costs for all homes are identified. The Board oversees and approves service charges for all customers. We consider that we have fully met this requirement.

48. Charge rent at target for all new customers, plus any service charge. For new build homes Red Kite would consult customers and the Council on the rent

Post transfer, new customers had their rent set at target plus service charges. However, the Government terminated rent convergence early and this had an impact on the transfer business plan. Subsequently, new tenancies were let at target rent plus 5%, and 10% in relation to sheltered as permitted by the Homes & Communities Agency.

The Government has now imposed a 4 year reduction on all rents, which has had a significant impact on the business plan totalling £11 million over four years and recurring income reduction thereafter. New build tenancies will be set according to the regulatory framework and after consultation with our customers and WDC. We consider that we have met this requirement.

49. Train staff in arrears management, debt management and welfare benefits so they can give advice to customers, clear policies and a firm but fair approach to arrears

We have a dedicated team of staff dealing with supporting and advising our customers on managing their tenancy accounts, home budgeting and rent arrear collection.

We have developed our policies and practices around managing this relationship with our customers in line with our ethos and business, which also includes a Welfare and Inclusion Strategy that sets out how we will work with our customers to ensure that the changes stemming from welfare reform can be managed to ensure that we help our customers sustain their tenancies. We consider that we have fully met this requirement.

50. A guarantee to put rents up each year no more than inflation plus 0.5% plus £2 a week for 5 years

We implemented this process until the Government changed the formula that we could increase our rents by and changed to CPI + 1% and removed the ability to converge rents across our homes. Following this, from 2016 - 2020 the Government has set out an annual reduction of 1% per year on all rents.

We consider that we have fully met this requirement. However, we have lost significantly as a business as a result of Government policy change.

51. Introduce an environmental improvement budget to pay for estate based projects - £400,000 per year and involve customers and leaseholders in establishing a list of priorities for each estate

Refer to no's 19 and 59

52. Improve standards and frequency of grass cutting, cleaning and caretaking services - an additional budget having been set aside for this

Refer to no. 105 below

53. Increase staff resources for anti-social behaviour work; enforce tenancy agreements to reduce anti-social behaviour, work in partnership with local agencies to increase people's security in their homes and neighbourhoods; have a budget for equipment to monitor anti-social behaviour

We have increased our resources and have two specialist ASB staff who deal with more complex cases as well as our team of Experience Specialists who prevent and manage lower level anti-social behaviour issues such as pet nuisance.

We work closely with other agencies including the police, probation and social services. We have a budget for equipment which we have spent on security items including CCTV. We consider that have fully met this requirement.

54. Introduce clauses in the Tenancy Agreement to combat anti-social behaviour and harassment and ensure they are fully explained to new customers before they move in

We have clauses in all our tenancy agreements to combat anti-social behaviour which are explained fully to customers, and we have used these clauses to take robust legal action where appropriate, including possession proceedings and injunctions. We consider that we have fully met this requirement.

55. Carry out security improvements to homes and estates in conjunction with customers providing security doors, window locks, lighting and door entry systems where appropriate

As we invested in our homes, we ensured that windows and doors complied with secure by design standards. Additional security and safety lighting has been installed on external refurbishment projects. Refer to no's 12 and 13 above. We consider that we have fully met this requirement.

56. Use 'starter' tenancies for new customers to help reduce nuisance and anti-social behaviour

New customers get a starter tenancy (exceptions would include mutual exchanges/transfers/assignments), which is for 12 months and can be extended to 18 months if required. These are carefully monitored and include a six week and six month visit and then a nine month review to ensure tenancy conditions are being met and any support needs are identified. We consider that we fully meet this requirement.

57. Provide a new assured tenancy agreement

All transferring customers from Wycombe District Council were provided with a new assured tenancy agreement, other than those who did not qualify (for example due to an outstanding possession order for the property).

We have recently reviewed those who originally did not qualify, and have re-issued agreements where they now meet the necessary criteria. We consider that we have fully met this requirement.

58. Provide lifetime tenancies to existing customers

We provide lifetime tenancies to those who were customers of Wycombe District Council before transfer took place. These tenants have protected rights which are reflected in their tenancy conditions. We consider that we fully meet this requirement.

59. **Introduce an environmental improvement budget to pay for estate based projects - £400,000 per year for the next 5 years and involve tenants and leaseholders in establishing a list of priorities for each estate**

Our Environmental Improvement Group (who are volunteers and all live in Red Kite homes) oversees applications for environmental improvement projects. A large range of projects have been carried out, including improved external lighting, fencing, communal sheds and mobility scooter stores. Over the period of the promises we have not had the demand for this funding that was anticipated at transfer, however we have continued to publicise the scheme and are looking to extend the opportunity beyond December for a further two years. We consider that we have fully met this requirement.

Our spend to date is £747k

60. **Consult customers individually about repair and improvement works to their homes, ensuring if not wanted they will not be pressured to have works, unless a health and safety issue exists**

We have been very careful to ensure that a comprehensive consultation programme has been undertaken and communicated throughout the duration of the promises.

Where customers have chosen to decline works and these have been of a non-health and safety nature, we have gone back to customers twice more as the programme progresses to provide an option to re-join the programme if they wish to do so. We ran a series of workshops aimed at allaying any fears or anxiety over having works completed to their homes, which proved to be very successful. After three attempts to encourage customers to have works carried out, we confirmed the decline. Refer to no's 1 and 3 above. We consider that we have fully met this requirement.

61. **Participate in national mobility and exchange schemes**

Red Kite is a member of Homeswapper (a national mutual exchange scheme) with a view to assisting customers to more easily exchange their homes. In the five years since transfer, we have completed a total of 286 mutual exchanges, helping customers to downsize or avoid overcrowding. 42 of these have taken place over the last 12 months. We have promoted exchanges by holding a number of events over the past few years, including speed dating events where tenants came along to meet each other and find someone to exchange with. We consider that we have fully met this requirement.

62. Protect key rights and entitlements of transferring customers

All transferring customers have an assured non-shorthold protected rights tenancy, which includes key rights such as the Right to Buy and succession in accordance with the transfer agreement. We consider that we fully meet this requirement.

63. Involve tenants and leaseholders in all aspects of the service - budget an additional £40,000 per year, encouraging supporting tenants and leaseholders to get involved at a level that suits them best

We offer a menu of opportunities for our tenants and leaseholders to be involved. These range from strategic decision making to checking that we're doing things properly. Examples include Procurement Group, Major Works Group, Compliance Group, Champions, Environmental Improvement Group, Virtual Leasehold Interest Group, Repairs and Empty Homes Group, driving our minibus, carrying out customer feedback surveys, estate inspections, Customer and Community Insight Group (CCIG) and recruitment interviews. We created an additional post within our community investment team to support this process. We consider that we fully meet this requirement.

64. Involve tenants and leaseholders in scrutinising performance and service quality and changing what Red Kite does in response to this

The Customer and Community Insight Group (CCIG) was set up to act as our scrutiny function and they help us to deliver the promises that we made. They monitor what we are doing by keeping a close eye on aspects such as customer satisfaction, Key Performance Indicators, our value for money and people strategies, our approach to customer profiling and social impact.

They identify project areas, develop a project brief and work with a team of volunteers to deliver the project, making change happen.

Our governance structure also provides for customer Board members who, along with other Board members, approve business plans, financial plans and budgets and then monitor the organisation's performance in relation to those plans, budgets and decisions. We consider that we fully meet this requirement.

65. Provide an experienced Tenant and Leaseholder participation team to provide advice and support to enable customers to be involved in running the service and provide a tenant and leaseholder participation agreement

Refer to no. 109 below

66. Carry out regular customer satisfaction surveys and use the feedback to improve the service and respond to needs and priorities

An average of 5,500 customers respond to our surveys each year, which are carried out by an independent survey company. We also have an average of 1,800 customers a year responding to telephone surveys carried out by our volunteers. We receive an average of 60 pieces of un-solicited feedback every month, about things we could do better, and things we've done well. The results of all this feedback are regularly shared within the organisation, and learning is taken and implemented when appropriate. We consider that we fully meet this requirement.

67. Develop a customer resource centre, provide training, provide funding and support for new customer associations

We have established a fully equipped and supported customer resource centre/facility within Red Kite offices. Our customers and volunteers are able to make use of this facility to carry out research, mystery shopping, hold meetings and receive training. As part our ethos, we ensure that customers are able to undertake relevant training with our own staff and where we identify developmental needs or appropriate training for the community, this is carried out within our offices. We support and encourage the creation of new customer associations within the community and will provide help and support for those who wish to set up a new one (at this stage this has not been necessary, with numerous opportunities to be actively involved and engaged). We encourage volunteers to take part in the wider groups within our volunteer structure, with the purpose of bringing forward talent and capacity to help ensure that we constantly reinforce and improve the influence that customers have over the key decisions of the business. We consider that we fully meet this requirement.

68. Involve tenants and leaseholders in influencing choice of kitchen and bathroom materials and design

Our customers have been central to all decisions made for choice and design for our investment and improvement works. Groups of customers have decided on the products and choice of materials for improvement works, determining the quality, style and colour etc. that was used on our projects. Customers have been involved in ongoing review of all products and requested change where appropriate. We consider that this requirement has been fully met.

Red Kite
Community Housing

69. Involve tenants and leaseholder in selecting contractors

Our customers have been the key decision makers on the procurement of contracts and the selection of partners and contractors. All major investment and repair contracts have been set up, evaluated and awarded by our customers. Following this success through our Procurement Group, they have gone on to be responsible for selecting grounds maintenance contractors, new cleaning contractors, IT systems, out of hours service providers and a host of other contracts on behalf of Red Kite customers.

Not only do they select, but they monitor contractors and annually assess them. We believe this has been a key strength to the business, and this was recognised by GO Procure, who twice nominated the Procurement Group as national finalists for their procurement endeavours. We consider that we have fully met this equipment.

70. Support the development of area groups to discuss local issues

Refer to no. 67 above

71. Provide dedicated office space and IT facilities for involved tenants and leaseholders

Refer to no. 67 above

72. Make customer groups more representative

We have an on-going campaign to find new volunteers in the community that help represent the different demographic and racial profile of our customers and the wider community. Post transfer, we carried out a survey of our customers to identify the areas where we need to focus on representation. It has proved to be difficult to find enough people with the right skills to be truly representative of our customer base, however we have been successful in bringing more people in as volunteers from minority backgrounds as well as a younger demographic in some areas. We continue to find new ways of balancing the availability of volunteers and the opportunities that our customers have to be involved. We consider that we are meeting this requirement.

73. Publish good quality information about services and proposals including delivering a newsletter at least three times a year and supporting customer associations who want to develop their own newsletters

Our newsletter is written to update customers on service changes, latest improvement programmes, information about organisations that can support them in different ways and to share good news about how we are working in our communities.

Having established an Editorial Panel made up of customers, the group has evolved to an online consultation group so that we continue to provide useful information in an easy-to-read format. All stories are linked to our website and offer anyone the opportunity to comment and contact us for more info. We consider that we have fully met this requirement

74. Produce a handbook setting out the services available and major contract points, information about tenancy and policies

In place of a traditional Tenant's Handbook, we designed a digital Tenant Information Pack, split into clear service area sections, that is permanently available on our website, with hard copies available for those who choose to access information in this way. The handbook sets out customer responsibilities, and ours, so that tenancies can be managed in line with our policies. We consider that we fully meet this requirement.

75. Produce an annual report including performance information each year and accounts, being honest and transparent in all activities

Each year, we have produced an annual report in partnership with our customers, which is available on our website. Having established working groups with our volunteers, they highlighted the areas that were most important to them, and alongside this information and that of our accounts and key performance, the report was produced in a format that customers approved – the first year as a totally tenant-led video, and after that through a dedicated microsite that allows users to read the level of detail that they are comfortable with. All content was approved and agreed with customers, with explanations and future plans for areas that needed improvement. We consider that we fully meet this requirement.

76. Provide equal access for all so services can be accessed easily, adopting an equal opportunities policy to ensure equality in delivery of service and access, and opportunity in employment. Keep this under review and to ensure this policy refers to the promises made in the "transfer matters" document

Post transfer, we carried out a tenant profile exercise to understand more about our customers and their needs.

From this we have adopted an approach which aims to tailor services to individual needs rather than group customers together, so we support methods of communication and support that work for each of our customers. We have also added and extended our digital services (alongside traditional methods) from email to other channels such as webchat, Facebook, Twitter, Linkedin, Instagram, a new easy to navigate website, as well as an app, underpinned by a higher performing contact centre managing inbound telephone calls, face to face interactions through reception and our various customer facing teams out in the community.

We have developed a relationship management approach which recognises the need to work with customers in ways which suit them, including having guidelines on vulnerable customers. We have also developed our own quality assessments for contact centre interactions which have a focus on ensuring that whoever we engage with is treated with respect and given equal opportunity to discuss any services requests with us. We consider that we fully meet this requirement.

77. A Community Fund of £100,000 per year for the next 5 years (until Dec 2016) to be used for Community Projects

We have made available and have implemented a Community Fund of £100,000 per year which has been used for a range of community projects, including fitness classes in our sheltered schemes, part funding a community minibus, fitting out an education centre at the Lady Ryder Memorial Garden, and running business start-up courses. We have committed expenditure over this period of £421,000. The social value attributed to the range of projects and facilities we have supported over the life of the funding using the HACT formula is in excess of £8 million. We consider that we have fully met this requirement.

78. Involve young people and young families in decisions made about their homes and neighbourhood, providing family friendly events with childcare provision

Our tenant-led ethos means that we are inclusive about how we involve the community. We are mindful of the barriers that may prevent people with families and caring responsibilities from being involved or being volunteers. We are therefore flexible in our approach to involvement, making use of virtual groups for people who may not come along to our events, changing the time of day that events are held to maximise participation and even providing child friendly events, so that parents can bring their children with them. This extends to events that we hold in the community which are all geared towards being family friendly and in locations that families can get to, so that they can be fully engaged. Our offices also provide a children's play area, so that customers can visit us knowing that their children will be welcomed. We consider that we fully meet this requirement.

79. Red Kite would be bound by the terms of existing leases

The lease is a legal contract that cannot be varied without the consent of both parties. We've not sought to vary the terms of any leases. We consider that we meet this requirement.

80. The right of collective enfranchisement would still be available

Collective enfranchisement is a right, subject to qualification, for the owners of flats in a building, and sometimes part of a building, to join together and buy the freehold of that building. The relevant Act is the Leasehold Reform Housing & Urban Development Act 1993 (as amended). We fully meet this requirement.

81. Leaseholders will be consulted prior to any improvements or repair works which would affect the service charge by more than £250 (per Commonhold and Leaseholder Reform Act 2002)

We have carried out an extensive programme of statutory consultation on projects where leaseholders' contribution is more than £250.

Projects include external decorations, door entry system renewal, balcony replacement and soffit, fascia and gutter renewal. We developed a consultation procedure and employed a Homeownership Advisor to ensure that we met our statutory obligation to consult. We consider that we fully meet this requirement.

82. Consult leaseholders annually about leaseholder charges

Refer to no. 81 above. We did introduce extended opening hours for a period after issuing annual invoices and statements. This ensured that we were available to discuss queries with leaseholders at a time convenient to them. We have held budget consultation meetings, but in reality very few leaseholders attended. We provide comprehensive detail of our service charges in line with statutory obligations. We consider that we fully meet this requirement.

83. Have two leaseholder representatives on the TLC to provide independent review of service and improvements

We have moved to a formal Customer and Community Insight Group (formerly the TLC) which provides scrutiny functionality as well as shadowing the work of the Board. The current Chair of this group is a leaseholder. We have encouraged wider representation on this group, including members of the local community with relevant skills as well as our leaseholders and tenants. Our customers have agreed this approach as a more relevant mechanism to influence the direction of the business and to advise the Board. We consider that we meet this requirement.

84. Consult about proposed housing management changes which would affect leaseholders

We have been careful to ensure that our leaseholders are aware of service developments as and when they are planned. Consultation has been undertaken when service changes have a direct impact, such as grounds maintenance or cleaning contracts. We have also been mindful to talk through changes that affect how we operate as a business, for instance as we change our structures. Leaseholders are always clear on what they are being charged for in terms of the service we provide and we are transparent in terms of how we allocate costs, so that they understand which changes are purely operational and which ones would have a financial impact on them individually. We consider that we have fully met this requirement.

85. Discuss with leaseholders the option to buy into planned internal works at competitive prices when refurbishment is being carried out on tenanted properties in the area - just prior to the works being carried out in their area

In developing our investment and improvement programme and implementing contracts and appointing contractors, we specified our requirements for leaseholders to have the ability to be able to buy into works during the programme.

During the consultation phase before works commence, leaseholders are made aware of their opportunity to buy into the works with our selected partners. We consider that we have fully met this requirement.

86. Carry out an audit of external doors within 12 months of transfer, replacing doors of all tenanted properties that did not comply with Fire Safety order. Replacement front door offered at no cost, provided work was completed within 12 months of transfer. Leaseholder then responsible for door after defects period expires

Independent fire risk assessments have been undertaken by accredited industry specialists of all sheltered and general need housing blocks. Checks of all individual flat entrance doors and communal partition/fire breaks etc. have been completed. Fire door replacement has been undertaken as required to ensure full compliance with the recommendations of the Regulatory Reform (Fire Safety) Order 2005. Fire door replacement was offered to leaseholders at no cost where the existing door was non-compliant. Regular checks are undertaken by internal staff to ensure operability of all fire doors. A Fire Safety Plan has been introduced, setting out actions and timescales for regular servicing and maintenance. Fire safety is publicised on our website and information on how to report a defective fire door is available. We consider that we have fully met this requirement.

87. Leaseholders on the repairs and maintenance group to monitor delivery of service and recommend or decide changes

We have established a Repairs and Empty Homes Core Group who monitor the repairs service, its performance and its contractors. We have encouraged leaseholder membership and this has been integrated into the group from the start of Red Kite. Leaseholders are able to influence and help steer the service. We consider that we have met this requirement.

88. Current leaseholder issue group would continue to participate in: monitoring performance, advise on communications, selection and monitoring of contractors, estate walkabouts

Refer to no.77 above

89. Integrate energy savings into planned improvements

Refer to no's 6, 7, 12, 15, 16, 17, 18 and 20.

90. Involve leaseholder in prioritising and programming estate improvements

Following transfer, we carried out a full stock condition survey and set out proposals for a full ten year programme of works. We provided leaseholders with a consultation document highlighting when works would be carried out which would directly affect them. We consulted with them over the sequencing of the works, which was carried out independently by Savills based on need, to ensure that customers could identify the works which would fall within the £5,000 cap in the first five years and those that would follow in subsequent years. We consider that we fully meet this requirement.

91. Ensure work is effectively supervised and monitored to achieve the required standard

Refer to no.21

92. Consult leaseholders to develop a regeneration scheme to provide suitable alternative accommodations and additional housing re Star Blocks in Castlefield (15 leaseholders there)

We set up a regeneration panel in the community for Castlefield residents, which consisted of both tenants and leaseholders affected by the proposed regeneration scheme. Once the option appraisal process and feasibility study had been concluded, negotiations commenced with leaseholders regarding the repurchase of their homes.

Several consultation events were held, which also included representatives of our Board. A menu of options was agreed with leaseholders that included being able to temporarily decant into one of our rented homes whilst the works were being undertaken before being able to buy back into the new scheme, as well as other options including our right to buy back. We provided funding for leaseholders to get their own independent advice and valuations. Ultimately, we were able to buy back the leasehold homes on the estate, however this took a considerable period of time, and at significant cost. We consider that we fully meet this requirement.

93. Service charges continue to occur once a year unless a new service is introduced following consultation

Refer to No's 81 and 82 above

94. Cap charges recoverable from residential leaseholders for works identified in the stock condition survey at £5,000 for the first five years of transfer, except for the Star blocks where more comprehensive regeneration is needed

The cost of major works for most leaseholders has been under £5,000. To date, the £5,000 cap has been applied to just 4 leaseholders who all live at Ebenezer House. Only 3 non-resident leaseholders (again at Ebenezer House) have been required to pay bills of more than £5,000. We have developed a database to help us capture aggregate contributions spread across multiple projects. We consider that we have fully met this requirement.

95. Red Kite to consider agreeing flexible repayments on an individual basis if resident leaseholders face financial difficulties meeting costs of major work and improvement

Our Board has approved the Major Works Payment Policy which offers flexible payment in limited circumstances. We consider that we fully meet this requirement.

96. Consult on any long term arrangements (over 12 months) where individual contributions are likely to be more than £100 per year

Refer to no. 81 above. We have carried out an extensive programme of statutory consultation on contracts where leaseholders' contribution is more than £100 in a financial year. Contracts include responsive repairs, grounds maintenance, cleaning, and door entry. We developed a consultation procedure and employed a Homeownership Advisor to ensure that we met our statutory obligation to consult. We consider that we fully meet this requirement.

97. Update the leaseholder handbook re services and contact points, policies and information about the lease

We have developed a new leasehold handbook, which was written and approved by the Leasehold Interest Group. We consider that we have fully met this requirement.

98. Involve the Leaseholder issue group to monitor the standards of service received and value for money for the services

Refer to no's 87 and 88 above.

99. Employ a dedicated and trained Leaseholder officer

Post transfer we set up our Commercial Stem which took over the leadership and management of leasehold homes. Within the team, we employ a dedicated Leasehold Officer to provide support and guidance to our leaseholders. We consider that we have fully met this requirement.

100. Ensure there are knowledgeable and trained finance staff to deal with service charge queries

A Project Manager was appointed to develop and lead the services that we deliver to leaseholders. A project plan was developed to ensure that systems and process were in place across the organisation to ensure that service charges were calculated accurately and in a timely manner and that Red Kite complied with its statutory obligation to consult leaseholders. We created the Commercial Team to act as a one stop shop for leasehold management, statutory consultation and service charge issues. Procedures were developed to ensure a consistent approach and the team is a good balance of experience and they have a hunger to learn and improve. We have subsequently integrated the procurement and contract management functions into the team to enhance the knowledge of contracts, pricing and services to help answer service charge enquiries. We consider that we have fully met this requirement.

101. Identify the Neighbourhood officers responsible for service delivery in each neighbourhood or area

We have a team of staff who deliver a housing service to our homes and throughout our neighbourhoods; they are responsible both for tenancy management and also the wider customer experience of our housing service, from estate inspections to home audits. They are fully mobile and provide an expert and responsive service throughout our estates. They are bookable on demand by our customers and we manage that demand digitally so that we always make best use of our staff and that we are able to serve our customers as swiftly as possible. We consider that we fully meet this requirement.

102. Investigating the establishment of a sinking fund for leaseholders where paying into it would be optional, unless the lease required it

In line with our obligations to consult and agree changes with our leaseholders, the concept of setting up a sinking funding was put forward, debated and rejected by leaseholders. The requirement to offer this to leaseholders has therefore been completed.

103. Provide training in customer care to all staff within one year of transfer and a rolling programme of customer care training thereafter

Externally facilitated Customer Care and behaviour training was carried out immediately on transfer and has subsequently been followed up with additional externally provided training in 2013. We are also currently running a new customer care programme. The offer requirement was satisfied and has been followed up to ensure that we continue to meet high customer care standards, therefore this is complete.

104. Provide leaseholders with information via a regular newsletter

Information is provided regular to our leaseholders via an online publication, as well as detailed information relating to proposed investment works and repairs. Leaseholders receive comprehensive information about the obligations of their lease in respect of annual service charges and costs associated with managing leasehold homes. We consider that we have fully met this requirement.

105. Improve standards in and around blocks of flats - caretaking and cleaning services

Services are reviewed with customers and restructured to provide more flexible and responsive services that are also managed and monitored by our customers. New grounds maintenance and cleaning contracts have been put into place. Restructuring of resources as part of the formation of the Experience Pod provides comprehensive mobile on demand estate services. Satisfaction with estates is consistently over 90%, therefore this requirement is completed.

106. Have a published complaints policy and be a member of the housing ombudsman scheme

We developed our feedback policy and attained membership of the Housing Ombudsman Service prior to transfer, and subsequently we have reviewed how we manage feedback from customers and have refined our policy further and provided more opportunity to learn from valuable insight of our customers. We have an established review panel to respond to appeals alongside our customers. We consider that we have fully met this requirement.

107. Improve service by listening to feedback from leaseholders and conducting regular surveys, including a comprehensive leaseholder satisfaction survey every three years

A survey of leaseholders was carried out between April and June 2013 with an overall satisfaction score of 54%. Since January 2016 we have moved away from STAR surveys being carried out corporately and now both tenants and leaseholders are surveyed on a rolling monthly basis about the services they receive. We consider that we have fully met this requirement.

108. Develop knowledge and understanding of what leaseholders want via the involvement groups and TLIC

We established our Leaseholder Interest Group prior to transfer, which has subsequently moved to become a virtual group to engage with more leaseholders. Currently membership of this group has increased to 25 leaseholders, who meet virtually bi-monthly.

In addition to statutory consultation about individual matters affecting leaseholders, we talk to the virtual group about wide ranging subjects that impact on all leaseholders or relate to Red Kite as an organisation. We receive regular feedback from the group and we respond to this to ensure that leaseholders are aware that we have understood their needs. We consider that we have fully met this requirement.

109. New participation strategy and committing extra resources to involve tenants and leaseholders in running the service and responding to needs and priorities

Our approach to participation has evolved significantly during the promises period, moving from the traditional structures and mechanisms towards volunteering.

This enables us to focus on the development of our volunteers and to ensure that we have the right skills in our community to support our tenant-led ethos. Our volunteers are embedded into our business as influencers and decision makers. They have made all of the key and critical decisions around investment and the delivery of our promises and have taken an active role in helping to make sure that our partners have delivered and completed them.

We are now in the process of moving to a Community Investment strategy over the next 5 years. In line with stretching our ambitions, it will be focussing on 'Building Thriving Communities' and 'Inspiring People'. As a first step in this process a new Community Investment Manager has been recruited. We consider that we have fully met this requirement.

Audit Committee Annual report - Draft

Officer contact: Michael Howard

Tel 01494 421357

Email: mike.howard@wycombe.gov.uk

Wards affected: All

PROPOSED DECISION

That the draft 2016 Annual report for the Audit Committee is agreed.

Corporate Implications

1. Contained within CIPFA's Audit Committee Practical Guidance for Local Authorities and Police 2013 Edition is a recommendation of good practice to publish an Annual report reflecting the work of the Audit Committee.

Background and Issues

2. In demonstrating compliance with the CIPFA guidance an annual report has been produced.
3. Attached at Appendix A is the draft report that reflects the work that has been undertaken by the Audit Committee during 2016 and provides information as regards the work plan for future meetings.
4. The draft annual report has been prepared on behalf of the Audit Committee by the Audit, Risk and Fraud Manager.
5. When agreed, the annual report will be made available on the Council's website

Background Papers

None

WYCOMBE DISTRICT COUNCIL

ANNUAL AUDIT COMMITTEE REPORT 2016

Date: **December 2016**

Version: **1.0**

Author: **Michael Howard: Audit, Risk and Fraud Manager**

Introduction by the Chair of the Audit Committee.

I am pleased to present the Annual Report of the Audit Committee which describes the Committee's work and it achievements.

The Annual Report helps to demonstrate to the various stakeholders in the district of the vital role that is carried out by the Audit Committee and the contribution that it makes to the Council's governance arrangements.

To provide ongoing assurance over the Council's internal controls and systems the Committee is attended by the Council's in house Audit, Risk and Fraud Manager.

Similarly, representatives from Ernst Young, the Councils External Auditor attend and report upon the Councils financial statements and value for money arrangements.

Looking forward to 2017/18, the Audit Committee will continue to provide robust oversight of Council's spending and value for money.

Whilst there is a cyclical work plan, the Committee is able to seek assurance from Management that any emerging areas of risk are being properly managed and controlled.

I would like to thank all Members who have served on the Audit Committee during the year and those officers who have supported the work of the Committee in presenting and discussing reports.

Councillor Mike Appleyard

Chairman of the Audit Committee

1 Audit Committee responsibilities.

1.1 The Audit Committee is responsible for:

- Liaison with the Council's external auditors
- Reviewing and discussing the annual financial statements, external audit reports and external auditor's annual management letter prior to consideration by Cabinet and full Council.
- Corporate governance
- Internal audit
- Risk Management
- Counter Fraud
- Maintaining an overview of Health and Safety in the Council's capacity as employer or regulator.
- Analysis of key performance indicators and identification of actions required.

1.2 To ensure that the Audit Committee is able to deliver against the responsibilities outlined above, a work programme is prepared and this forms the basis of the 5 meetings that are held throughout the year.

1.3 Attached at appendix 1 is a brief outline of the meetings that have been held and the items that were covered. The planned agenda is supplemented by reports where the Committee has requested additional information or assurance from Management.

1.4 Taking the year as whole, the Audit Committee has been successful in:

- ❖ Maintaining an overview of internal control and governance
- ❖ Focussing attention on services where there are internal control or performance issues.
- ❖ Maintaining an overview of the Council's finances and receives reports from the Councils External Auditors, EY, based on their annual cycle of external audit work. We are pleased to record that the Council received an Unqualified Audit Opinion for it's 2015/16 Accounts.
- ❖ Maintaining an overview of the Councils Health and Safety arrangements.
- ❖ Undertook a review of its own effectiveness based on recognised best practice and put in place an action plan relating to areas where identified improvements could be made.
- ❖ Undertook a review of Service Performance for Quarters 1 (April – June 2016 and Quarter 2 (July – September 2016).

1.5 Attached at Appendix 2 is a brief outline of the work programme for the Audit Committee up to September 2016. Audit Committee members may also request reports or ask for the details of any follow up action on a specific area of concern.

1.6 All agenda and minutes from the Audit Committee meetings are available on the Councils website: www.wycombe.gov.uk

2. Audit Committee Membership

2.1 The Membership of the Audit Committee is made up 8 Councillors: 7 Conservatives and 1 Labour and 4 standing deputies: 3 Conservatives and 1 Labour.

2.2 Detailed below is a brief outline of the Audit Committee members:

	**Chair: Councillor Mike Appleyard**
	**Vice Chair: Councillor Saeed Saddique**
	**Councillor Tony Lee**

	**Councillor Catherine Oliver**
	**Councillor Graham Peart**
	**Councillor Mohammed Hanif**
	**Councillor Gary Hall**

Councillor Nigel Teesdale

3. Review of the Audit Committee's effectiveness

3.1 The Committee regularly undertakes a formal review of its own effectiveness with the last one being formally reported in September 2016.

3.2 The coverage for the review was based on CIPFA's Audit Committee Practical Guidance for Local Authorities and Police 2013 Edition. This highlighted the following training needs and opportunities of key aspects of the remit of the Audit Committee to further improve its effectiveness:

- Knowledge of the six principles of the CIPFA / SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS).Knowledge of the local code of governance.
- Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the requirement of the role of the chief financial officer, as required by CIPFA's statement on the Role of the Chief Financial Officer in Local Government.
- Understanding of the principles of risk management including linkage to good governance and decision making. Knowledge of the risk management policy and the strategy of the organisation. Understanding of risk governance arrangements, including the role of members of the Audit Committee.
- Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and officers. Knowledge of the Whistleblowing arrangements at the authority.

5 Further information:

If you have any comments or questions arising from this report or would like to know more about the work of the Audit Committee, please contact

Jemma Durkan Senior Democratic Services Officer

Email: Jemma.Durkan@wycombe.gov.uk DDI: 01494 421635

APPENDIX 1 - WORK UNDERTAKEN BY THE AUDIT COMMITTEE JANUARY 2016– NOVEMBER 2016.

Thursday 14 January 2015
Items covered:

- Red Kite Update
- Audit Committee Annual Report – Draft
- Annual Review of the Risk Management Policy
- Treasury Management Strategy 2016/17
- Certification of Grants and Claims
- Issues Log
- Audit Committee Work Programme

Thursday 3rd March 2016
Items covered:

- 2015/16 Service Performance Q3 – October – December
- EY Annual Audit Plan 2015/16
- EY Annual Fee Letter 2015/16 – Update
- Health & Safety Work Programme 2016/17
- Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report 2016
- Issues Log
- Audit Committee Work Programme

Thursday 30June 2016
Items covered:

- 2015/16 Quarter 4 and End of Year Service Performance Report
- Health & Safety Annual report
- Ethical Standards for Providers of Public Services – Self Assessment
- Draft Annual Governance Statement 2015/6
- Audit, Risk & Fraud Manager's Annual Report 2015/16
- Proposed Internal Audit Programme 2016-17
- Annual review of the Anti-Fraud and Corruption Policy
- Audit Committee Work Programme

Thursday 22 September 2016
Items covered:

- Recycling Rates
- 2016/17 Quarter 1 Service Performance Report
- Statement of Accounts and Annual Governance Statement.
- Annual Review of the Anti-Fraud and Corruption Policy
- External Auditor's Audit ISA 260 Audit Results Report
- Treasury Management Annual Report 2014/15 and Prudential Indicators.
- Audit Committee Terms of Reference –Self Assessment of Good Practice
- Implementation of Internal Audit Recommendations
- Audit Committee Work Programme

<u>Thursday 17 November 2016</u>
Items covered:

- 2016/17 Quarter 2 Service Performance Report
- Audit, Risk & Fraud Manager's Half-Yearly Report
- Appointment of the External Auditor
- Treasury Management Mid-Year Report 2016/17
- Audit Committee Work Programme

APPENDIX 2 – 2017 FORWARD WORK PROGRAMME

Thursday 15th January 2017
Items to be covered:
Red Kite Update report
Draft Audit Committee Annual Report
2016/17 Q3 Service Performance Report
Annual Review of the Risk Management Policy
Treasury Management Strategy 2017/18
Certification of Grant & Claims Annual Report
Ernst & Young Annual Audit Plan
Ernst & Young Annual Fee letter
Audit Committee Work Programme

Thursday March 2017
Items to be covered:
Health & Safety Work Programme 2017/18
Proposed Internal Audit Programme 2017/18
Regulation of Investigatory Powers Act (Information Sheet)
2016/17 Q4 and End of Year Service Performance Report
Audit Committee Work Programme

June 2017
Items to be covered:
Health & Safety Annual Report
Annual Review of Anti-Fraud and Anti-Corruption Policy
Draft Annual Governance Statement
Audit Committee Terms of Reference - Self-Assessment of Good Practice
Audit, Risk & Fraud Manager's Annual Report
2017/18 Q1 Service Performance Report .
Audit Committee Work Programme
Issues Log

September 2017
Items to be covered
Approval of 2016/17 Statement of Account
External Audit- ISA 260 Audit Results Report
Implementation of agreed recommendations
Treasury Management Annual repot 2016/17 Prudential Indicators
2017/18 Q2 Service Performance Report
Audit Committee Work Programme

ANNUAL REVIEW OF THE RISK MANAGEMENT POLICY

Officer contact: Michael Howard **Tel: 01494 421357**

Wards affected: All

PROPOSED DECISION

That the 2017 Risk Management Policy, as attached at Appendix A be approved.

Corporate Implications

The delivery of a Risk Management Policy forms an integral consideration to the Councils approach to governance and is an essential element of effective management.

Executive Summary

The management of risk is essential as it enables the Council to discharge its various functions, as a deliverer of public services, as an employer and as a custodian of public funds.

The Risk Policy aims to provide a comprehensive framework and associated processes that have been designed to support Management in ensuring that the Council is able to discharge its risk management responsibilities fully.

The Risk Policy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management and provides an overview of the process that is to be followed if risk is managed successfully.

The management of risk is about improving the ability to deliver strategic objectives outlined in the Councils' Corporate Plan as well as operational risks outlined in individual Service based service plans. In addition, the policy has been designed to be used as a toolkit for those involved in managing risk.

There have been no changes to the policy that was agreed by the Audit Committee in January 2016.

Background Papers

Wycombe District Councils' 2016 Risk Management Policy as approved by the Audit Committee in January 2016.

WYCOMBE DISTRICT COUNCIL

Risk Management Policy 2017

Date	December 2016
Version	1.00
Author	Audit, Risk and Fraud Manager

POLICY CONTEXT

The Council's **Corporate Plan** was agreed by the Council on 14 December 2015, setting out three priorities to 2019:

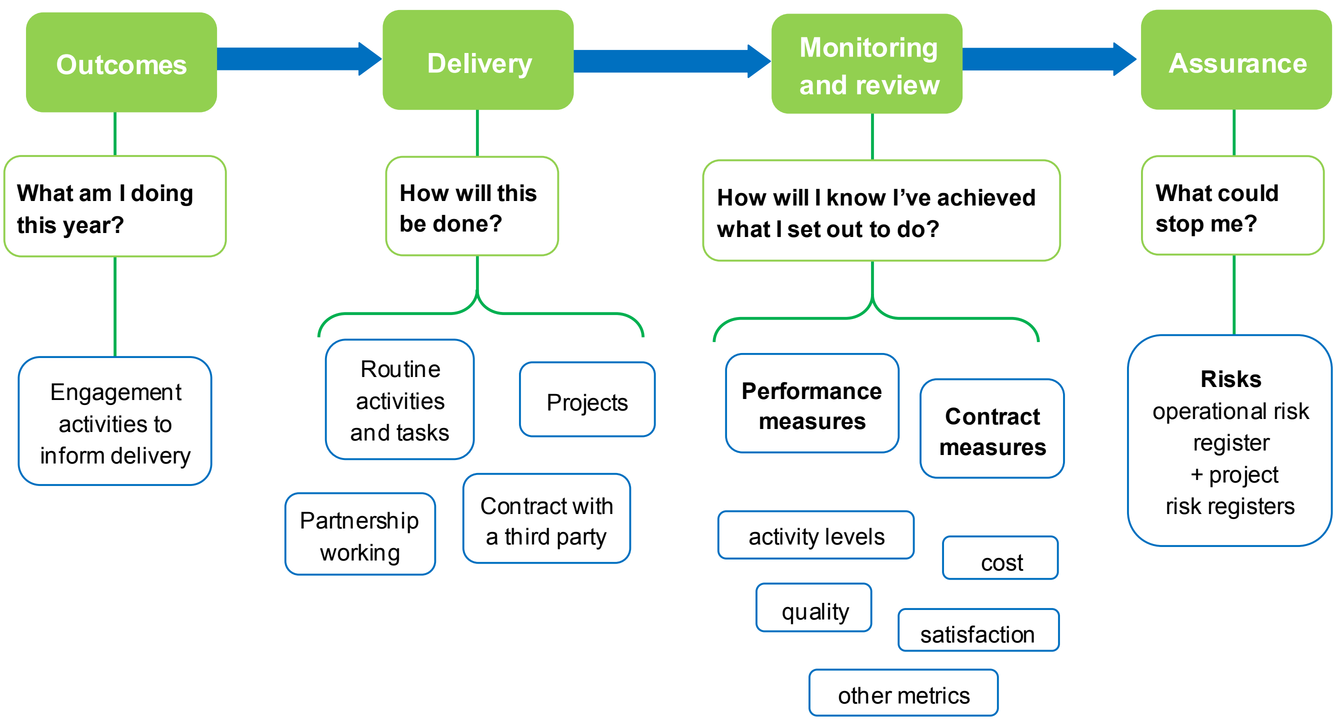
- **Regeneration and Infrastructure:** our 'place' priority.
- **Cohesive Communities:** our 'people' priority.
- **Value for money services:** our 'pounds' priority.

Each priority is supported by a set of ambitions. Each ambition is underpinned by a set of workstreams which comprise specific projects and activities. Other activities and day-to-day work also contribute to the delivery of our priorities.

In order to make the link between the Council priorities and individual service plans, a strategic risk register has been introduced. The strategic risk register captures those risks which will have an impact on the way in which our priority outcomes are to be delivered, along with those risks that have been identified from the service planning risk assessment process which are considered to be of sufficiently significant importance to warrant inclusion in the strategic risk register.

Each service area has a **service plan** that sets out the service objectives and outcomes for the year ahead, drawing down the Corporate Plan priorities, and outlines day-to-day activities, tasks and projects at a headline level. Integral to the service plan is the **operational risk register** that identifies the risks to achieving these outcomes along with controls and improvement tasks to reduce the impact or likelihood – should the risk materialise.

This is illustrated in the figure below:



RISK MANAGEMENT POLICY

Managing risk is a core component of our operational management arrangements and approach to corporate governance, ensuring that we deliver service objectives and outcomes. It involves the identification of both uncertainty and opportunities: helping us to mitigate against failure or enhance the outcomes we could achieve for our residents.

Identification of risks that could cause issues with service delivery (whether delivered directly by us who through a contract arrangement) or on project work - and taking action on this - is an everyday management activity that we often do without thinking that this is ‘risk management’.

This policy sets out the ‘who, what, why, when and how’ of risk management at Wycombe District Council and covers the following aspects:

1 Definitions	2 Objectives	3 Scope	4 Principles	5 Scoring	6 Appetite	7 Roles and Responsibilities

The Audit Committee has endorsed and formally adopted this policy in January 2016. Strategic Management Board will ensure it is integrated into the efficient and effective running of relevant areas of the Council’s responsibility. Strategic Management Board will also receive periodic reports from the Corporate Governance Group whose role is to ensure that the Risk Management Policy is being complied with, as well as reviewing the Council’s strategic risk register.

1. DEFINITIONS

The Council defines risk as:

The impact of uncertainty on the achievement of its objectives.

Risk management is defined as:

A systematic and iterative approach to identify, assess and address risks that could stop us delivering our services and achieving our objectives’.

Risks can be categorised as

Pure risks that can have one of two outcomes - either nothing will happen or a loss will occur and **Speculative risks** where there are three possible outcomes – nothing will happen, a loss occurs, or a gain occurs

The Council also uses the following categorisation of risk:

Strategic Risk: a significant risk which, should it materialise, will have a significant impact on the whole Council and have a material effect on the Council’s reputation or financial standing. A quarterly monitoring framework is in place that provides the Strategic Management Board the opportunity to review the strategic risks that have been identified by Senior Management of the Council. This is reported half yearly reporting process to the Audit Committee.

Operational Risk: a less significant risk requiring management at an individual Service level in the Council. Operational risks are captured in the relevant operational risk register, and also reviewed when compiling the annual service plan, as this sets out the objectives and expected outcomes from which risks can be identified, assessed and managed accordingly. Where such risks are of such magnitude that they could have a significant corporate impact they will be escalated to Strategic Risk level.

Project Risk: those risks that could prevent the successful completion of an individual project e.g. lack of time, finance, human resources, quality. The Council has adopted a pragmatic and proportional approach to the use of a recognised project management methodology, which has a clearly defined process for using a project specific risk register.

Partnership Risk: Joint working and partnerships involves a range of risks, for example, financial, legal, contractual and governance risks. As a Council we need to make an assessment of the Partnership arrangement from which risk can be identified, assessed and managed as Partnerships operate within their own a defined decision making framework which does not necessarily accord with the Council's own Contract Standing Orders and Financial Regulations. Therefore there is a need for a greater understanding of their governance arrangements.

2. OBJECTIVES

The objectives of risk management are to:

- Preserve and protect the Council's assets
- Ensure strong corporate governance by integrating risk management and internal control.
- Improve business performance
- Protect and improve quality of service
- Ensure a risk aware culture in order to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the organisation.
- Protect staff, contractors, and members of the public and improve their well-being

3. SCOPE

Risk management is required for all of the Council's operations, projects and partnerships.

The consideration of risks must be expressed in all decisions made.

Informed decisions in respect of policy or service delivery can only be made if the risks involved have been identified. All relevant committee reports, business cases must illustrate the key risks involved.

4. PRINCIPLES

These principles will be applied at all levels within the Council. All managers and staff must follow the risk management principles listed below:

- Members and Senior Management will foster a culture to support well-judged decisions about risks and opportunities.
- The management of risk will be integrated within existing processes, for example service planning, performance management and project management.
- Honesty and openness will be encouraged in the reporting and escalation of risks.
- The Council will strive to continually improve the management of its risks.
- Staff will be encouraged to challenge existing processes in order to identify innovative ways to better manage key risks to the delivery of objectives.
- Documentary evidence of identified risks and risk management must be maintained in order to support assurance and to inform the evaluation of risk management. The Council will maintain both a strategic risk registers and service based operational risk registers to record all risks.
- Risk registers will be kept under continuous review to determine what, if any, risks have “dropped off” and no longer apply and, more importantly, to identify new risks which have manifested themselves.
- Clear roles will be agreed relating to the accountability, management, escalation and communication of key risks.

5. SCORING RISK

The scoring matrix on the following page is used to define the severity of individual risks relative to the **impact** and **probability** (likelihood) score, with low risks (green) scoring between 2 – 5, medium risks (blue) 6-10 and high risks (red) ranging from 12 – 25.

When determining the impact of a risk the following three **impact categories** are also given consideration, although not all may be applicable for some risks:

- Financial cost
- Disruption to services
- Reputation

Risk Score Matrix

					Probability				
					1 Rare	**2 Possible**	**3 Likely**	**4 Very Likely**	**5 Almost Certain**
		Financial	**Disruption**	**Reputation**	**10%** Remote	**30%** Unlikely to happen	**50%** May happen	**70%** Likely to occur	**90%** Certain to occur
Impact	**5 Very High**	Over £500,000	Five or more days Death(s)	Adverse / persistent national and local publicity Removal of powers Officers / Members resign	Score: **5**	Score: **10**	Score: **15**	Score: **20**	Score: **25**
	4 High	£250,000 - £499,999	Four days Serious injury or illness	Adverse and persistent national publicity Major and persistent adverse local publicity Audit intervention	Score: **4**	Score: **8**	Score: **12**	Score: **16**	Score: **20**
	3 Medium	£100,000 - £249,999	Three days	Adverse national publicity Major and persistent adverse local publicity	Score: **3**	Score: **6**	Score: **9**	Score: **12**	Score: **15**
	2 Low	£25,000 - £99,999	Two days	Adverse local publicity Multiple complaints	Score: **2**	Score: **4**	Score: **6**	Score: **8**	Score: **10**
	1 Very Low	Under £25,000	Minor - up to a day	Contained within service Individual complaints No press interest	Score: **1**	Score: **2**	Score: **3**	Score: **4**	Score: **5**

6. RISK APPETITE

Risk is unavoidable and the Council does take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is also known as **risk appetite**. Risk appetite indicates the organisation's tolerance for exposure to risk.

Our approach to risk taking will be dependent upon the nature of the risk. Particular care is needed in taking action that could:

- Impact on the reputation of the Council
- Impact on performance
- Results in censure/fines by regulatory bodies
- Results in financial loss

However, in other areas we support a measured approach to risk taking against a background of encouraging innovation where there is a good chance that significant business or financial benefits will result.

7. ROLES AND RESPONSIBILITIES

Everyone has a responsibility for managing risk. All Members and Officers have a responsibility for maintaining good internal control and managing risk in order to achieve corporate, service, team and individual objectives as set out in our service plans and ambitions in our Corporate Plan.

Specific **responsibilities** and **accountabilities** are also required of the following individuals and groups:

Cabinet, Cabinet Members and Committee Chairman to have an understanding of the processes involved in the management of risk and that due consideration is given to applying this knowledge so as to ensure informed decisions are made at Cabinet and Committee level. To enable this they should be cognisant of the following:

- Officers are responsible for developing and maintaining an effective framework for risk management.
- Officers are challenged to ensure risk is considered and documented in all reports to ensure informed decision making.
- Risk is formally considered at the start of major projects and re-evaluated throughout the life of the project.
- Officers are required to report significant risks on a regular basis

Audit Committee (with recommendations to full Council and Cabinet as appropriate)

- Approving and reviewing the Council's framework for Corporate Governance
- Approving and reviewing the policies and overall process for identifying and assessing business risks and assessing their impact on the Council

- Reviewing and making recommendations to Cabinet as regards the effectiveness of the arrangements in place for the periodic review of the Strategic Risk Register.
- Regularly reviewing the assurance reports from Strategic Management Board, Head of Finance and Commercial, Internal Audit and Risk Management, External Audit and others on the operational effectiveness of matters related to risk and control.
- Reviewing the timeliness of the corrective action taken by management
- Approving and reviewing the Council's Annual Governance Statement

Chief Executive and Corporate Director

- Implement and keep under review the Council's approach and Policy for the management of risk
- Overall accountability for securing adherence to the Council's Risk Management Policy.
- Affirm and support the work of risk management throughout the Council, which contributes towards the Council's Annual Governance Statement
- Take ownership for the management and monitoring of the Council's Strategic Risk Register.
- Regularly report significant risks to Cabinet Members and/or the Audit Committee.

Corporate Governance Group

- Ensuring that an effective system of internal control is maintained and operated
- Determining and reviewing high level risks and issues and determine how these can be effectively managed, with recommendations to Strategic Management Board
- Monitoring the maintenance and development of the Council's risk management process.
- Overseeing the compilation of Annual Governance Statement prior to submission to Audit Committee and the inclusion in the final accounts
- Monitoring the progress of the AGS action plan to address significant control issues identified therein.
- Reporting on a regular basis to Strategic Management Board.

Heads of Service

- Effectively embedding risk management in their service area(s)
- Setting a clear leadership example, and promote a high degree of risk management awareness
- Taking an active role in the identification, analysis, profiling and management of risk and reporting any potential strategic risks to their Director and Strategic Management Board for consideration.
- Ensuring that the details of risks which they are personally accountable for are documented, kept up to date and reviewed in line with the Council's risk appetite.
- Ensuring that the risk management process is an explicit part of all major projects and change initiatives and of all partnerships
- Escalating significant and changing risks to Strategic Management Board and the appropriate Cabinet Member(s) via formal and informal mechanisms.

- Having up to date Business Continuity Plans (BCP)

Service Managers

- Effectively managing risk in their service area
- Ensuring that details of risks which they are personally responsible for are documented, kept up to date and reviewed in line with the Council's risk appetite.
- Escalating risks to Head of Service as appropriate
- Maintaining an awareness of risks and feed this into risk identification process
- Recommending staff who require risk management training
- Ensuring that any committee reports, business cases contain a comprehensive risk assessment as appropriate

All Staff

- Identifying risks surrounding their everyday work processes and working environment
- Reporting risks to Line Manager
- Maintaining control mechanisms as part of the responsibility for achieving agreed objectives
- Demonstrating awareness of risk and risk management
- Participating in risk management training and applying it as appropriate.

Risk Management Team (Officers from Corporate Policy and Internal Audit)

- Bringing together analysis of risk across the organisation to identify potential scenarios that may impact the achievement of the organisation's objectives
- Escalating high level risk and issues to Corporate Governance Group and Strategic Management Board as and when they arise
- Ensuring risk management actions arising from corporate assessments are implemented.
- Providing risk management training, advice and support to Members and Officers.

Insurance Team

- Managing the Council's insurance portfolio to make sure insurable risks are cost effectively managed.
- Providing periodic reports to SMB as regards the Councils claims history.

Internal Audit

- Providing assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance
- Reporting on the control environment
- Drawing up a strategic and annual audit plan that is based on a reasonable evaluation of risk.

Health and Safety Well Being Group

- Producing detailed plans to achieve Health and Safety objectives
- Establishing standards for planning and implementing, measuring performance, auditing and periodic status reviews of Health and Safety policy
- Keeping up-to-date with Health and Safety legislation, standards, best practice, and performance
- Seeking specialist Health and Safety advice, as necessary, to ensure efficient and effective use of resources for Health and Safety management
- Ensuring participation and involvement of workers.

Corporate Policy Team and Environmental Services Team

- Complying with the requirements of the Civil Contingency Act 2004

- Co-ordination of the development and validation of WDC's Emergency Planning and Business Continuity arrangements.

Senior Information Risk Officer (SIRO)

- Responsible for managing information risk from a business , not technical, perspective.
- Overseeing the risks to the Council regarding Information Governance and to make appropriate recommendations and/or decisions to mitigate these risks. The SIRO is supported in their role by Information Asset Owners who have assigned responsibility for the information assets of the Council.
- The Chief Executive has the Head of Democratic, Policy and Legal Services as the Council's SIRO.

Katrina Wood	
Leader of the Council	
Date of signature	

Karen Satterford	
Chief Executive	
Date of signature	

Version 2.

Location: WySpace – Internal Audit and Risk Management.

REFERRAL FROM THE AUDIT COMMITTEE – TREASURY MANAGEMENT STRATEGY 2017/18

Chairman of the Committee: Councillor Mike Appleyard

Officer contacts: Nisar Visram Ext:3615
Email: nisar.visram@wycombe.gov.uk

PROPOSED RECOMMENDATIONS TO COUNCIL

That:

(i) the Treasury Management strategy for 2017/18 and the Treasury Management indicators contained therein be approved; and

(ii) the Treasury Management policy statement, attached at Appendix A of the report, be noted.

Reason for decision

In February 2012, the Council adopted the CIPFA Treasury Management in the Public Services: Code of Practice (fully revised 2011 edition), which requires the Council to approve a treasury management strategy before the start of each financial year, a mid year report, and an annual report after the end of each financial year.

Corporate Implications

1. There are no direct financial implications associated with approval of the Treasury Management Strategy or Treasury Indicators, although it sets the framework within which the Council operates its treasury management function.

2. There is a statutory duty for the Council to determine and keep under review the amount of money it can afford to borrow – the "Affordable Borrowing Limit". The prudential indicator that sets the affordable borrowing limit is called the Authorised Limit for External Debt and is approved in the prudential indicator report but also set out here for information.

3. The detail in this report is provided in line with "Guidance on Local Authority Investments", issued by the DCLG. This guidance is in fact a requirement, and there is consequently little scope for making the detail in the appendices more user-friendly and accessible to the lay person.

Executive Summary

4. In February 2012, the Council adopted the CIPFA Treasury Management in the Public Services: Code of Practice (fully revised 2011 edition), which requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year.

5. The Code of Practice also requires Council to approve the Treasury Management

Policy Statement at Appendix A..

6. As part of the Code local authorities are required to charge a body of members to scrutinise the treasury management strategy and Council agreed at its meeting on 25 February 2010 to appoint the Audit Committee to this role.

7. This report is the Annual Treasury Management Strategy for the next financial year, which amongst other things lays down the criteria within which investments are made, with particular regard to counter party limits. It also sets the treasury management indicators and borrowing limits for the year

8. In addition, the Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year. This report fulfils the Council's obligations under both these sets of guidance.

Treasury Management Policy Statement

11. It is the Council's responsibility to approve a Treasury Management Policy Statement on a periodic basis and Council approve this annually. The Policy Statement is included in Appendix A.

12. The Treasury Management Policy sets out the objectives and the regulatory requirements of the Council's treasury management function.

13. The principal objectives of this Treasury Management Policy Statement are to provide a framework within which:

    i) risks which might affect the Council's ability to fulfil its responsibilities or which might jeopardise its financial security, can be identified;

    ii) borrowing costs can be minimised should the Council be required to or choose to borrow, whilst ensuring the long term security and stability of the Council's financial position; and

    iii) Investment returns can be safely maximised and capital values maintained.

Treasury Management Strategy Statement

14. CIPFA's *Treasury Management in the Public Services: Code of Practice (2011 Edition)* and their *Prudential Code for Capital Finance in Local Authorities (2011 Edition)* require local authorities to determine the Treasury Management Strategy Statement on an annual basis.

15. The Strategy Statement comprises two main components:

    i) the 'External Context', drafted by the Council's external treasury advisers, Capita (Sector) Asset Management. This is important as the rate at which the Council can borrow and the return it will obtain on cash balances are linked to the performance of the wider UK and global economy. This is included in Appendix B

    ii) a Borrowing and Investment Strategy, including the approved sources of long term and short term borrowing and details of the type of institutions the Council is able to place its cash with and the limits with each type of institution. This is included in Appendix C.

16. The main changes in the Treasury Management Strategy are:

- Increase of investment limits with existing A- credit rated or above counterparties by £1m to ensure adequate avenues for placing cash without diluting the credit quality of the Council's counterparties. This action is in response to the cut in interest rates and a fall in demand for Local Authority deposits due to increased requirements for financial institutions to set aside corresponding capital against deposits.

Table 1 Change in Treasury Limits

Category	2016/17 Limit	2017/18 Proposed Limit
Banks and building societies (including Supranationals) holding long-term credit ratings no lower than AA- or equivalent. (either UK based or domiciled in a country with a AA rating)	£5m	£6m
Banks and building societies holding long-term credit ratings no lower than A or equivalent (either UK based or domiciled in a country with a AA rating)	£4m	£5m
UK building societies holding a long-term credit rating no lower than A- or equivalent.	£3m	£4m

Bail in Risk

17. In 2013 the UK has implemented bail-in provisions of the EU Bank Recovery and Resolution Directive in the form of the Financial Services (Banking Reform) Act. This means that if a Bank faces difficulty in future, it may take a 'haircut' of depositors' funds before any potential support from Government is sought and thus funds placed with banks are at higher risk than they previously had been before the Banking Reform Act came into place

18. An important element of the Council's investment decision making is the credit rating of the counterparty derived from the three leading credit rating agencies (Fitch, Moody's and Standard and Poor). The rating agencies have reviewed their methodologies for determining ratings following Bail-in Regulations and changes in the regulatory regime, removing the 'uplift' for implied sovereign support of bank. However, new regulations strengthening banks by requiring more capital to be set aside has netted this off, leaving most credit ratings unaffected.

19. On 30 November 2016 the Bank of England released its Stress Test results for the UK Banking System, assessing the adequacy of capital held by the Banks in a stressed scenario. Seven institutions were tested: Barclays, HSBC, Lloyds Banking Group, Nationwide, the Royal Bank of Scotland (RBS) Group, Santander UK and Standard Chartered. All seven banks passed the aggregated levels. However The

Royal Bank of Scotland Group, Standard Chartered and Barclays fell short on some individual measures. The Bank of England noted that the test was based on a snapshot of the balance sheet of these banks at the end of 2015 and because of actions taken subsequently, no further capital raising actions were required from Barclays and Standard Chartered. RBS submitted revised capital plans which were accepted by the Prudential Regulation Authority (PRA) Board.

20. The Council has taken action to limit its exposure to Bail in risk by:

- Keeping limits held with any individual counterparty low and restricting investments in time limit and to only the most creditworthy counterparties.

- Investing in Money Market Funds which are AAA rated and offer a wider level of diversification.

- Investing with other Local Authorities where opportunities are available at a reasonable rate of return.

21. As at 30th November 2016 the Council had cash balances of £83.1m invested as follows:

- £44.1m with twelve different Banks and Building Societies including the Council's banking services provider Natwest plc.

  - £30m with four different AAA rated Money Market Funds
  - £4m with two different Local Authorities
  - £5.0m UK Government Gilts.

Interest Rates and Investment Options

22. On 4th August 2016 the Bank of England reduced its base rate from 0.5% to 0.25% and the Council has continued to face a challenging environment for placing funds and generating an adequate yield. Due to the requirements for financial institutions to set aside increased capital to cover deposits, there has been a decrease in demand for Local Authority deposits. With the bank rate decreasing, Local Authorities can borrow at low rates and therefore the rates for inter Local Authority borrowing have reduced. In (12/12/2016) December 2016 the Council's bank, Natwest, reduced the current account rate to 0.05%.

23. In the absence of counterparties to place funds, the Council invests short term with the UK Government Debt Management Office (DMO) with a yield of 0.15%. To increase yield the Council has a number of options:

    - Invest directly in Local Property – The Council is actively pursuing this. In 2016/17 the Council purchased a large commercial property at Sword house for £6.8m for regeneration and investment purposes. The Council is taking forward a number of other such investments, where there is a strong regeneration imperative with returns of between 6-8%. These are detailed within the Council's major projects programme.
    - Invest indirectly in a Property Fund – The option of investing in such a fund is included within the treasury strategy although the Council is currently prioritising investments within its own borders where the Council has investment experience, local knowledge and can combine other objectives

with the investment. Investing in indirect property funds have a specific set of risks requiring due diligence, with detailed assessment of current economic conditions and their impact on the national property market.

- Treasury Investments with more Risk – Although Council investments are restricted in a number of areas; there are investments available where the Council can take on more risk for a higher return. These include cash funds where the capital invested can decrease as well as increase, or widening the Council's credit criteria. The option of investing in a 'VNAV' (Variable Net Asset Value) funds are included within the Council's treasury strategy although the increase in return over and above what the Council is currently achieving varies according to the volatility of the fund and overall does not provide a financially material uplift. Widening the Council's credit criteria is not proposed at this time given the limited impact on return relative to the increase in risk.
- Increase limits with existing counterparties. Limits to existing counterparties are proposed to increase by £1m for all A-rated institutions as part of this report increasing exposure to counterparties who have a credit rating the Council is comfortable investing with whilst obtaining a yield that is respectable in the current economic environment.

A list of Counterparties available for use by the Council is enclosed at Appendix E.

Prudential Indicators

17. The CIPFA *Prudential Code for Capital Finance in Local Authorities (2011 Edition)* requires performance against specified key indicators to be measured and reported on a regular basis. The purpose of these indicators is to demonstrate prudence, affordability and sustainability.

18. An explanation of PIs is included in Appendix D. Key objectives of the indicators are to:

    - ensure borrowing is less than the Council's Capital Financing Requirement (CFR), demonstrating that all long term borrowing has been undertaken for capital purposes in line with the Prudential Code;
    - set the Council's authorised and operational borrowing limits;
    - show the percentage of the revenue budget required to be spent on financing borrowing; and
    - show the incremental impact of new capital investment decisions on Council Tax.

19. PIs are monitored throughout the year and reported to Audit Committee at Council mid-year and at the end of the financial year, in line with the best practice requirements outlined in the CIPFA Treasury Management Code of Practice.

20. Appendix D also includes a statement of the Council's Minimum Revenue Provision (MRP) policy, used to calculate the amount the Council is annually required to set aside towards repaying its CFR.

APPENDIX A

Treasury Management Policy Statement

1. Definition

   The Council defines its treasury management activities as the management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. Risk Management:

   The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks

3. Value for Money

   The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4. Borrowing Policy

   The Council values revenue budget stability and will therefore borrow the majority of its long-term funding needs at long-term fixed rates of interest. Short-term and variable rate loans will only be borrowed to the extent that they either offset short-term and variable rate investments or can be shown to produce revenue savings.

   The Council will set an affordable borrowing limit each year in compliance with the *Local Government Act 2003*, and will have regard to the *CIPFA Prudential Code for Capital Finance in Local Authorities* when setting that limit. It will also set limits on its exposure to changes in interest rates and limits on the maturity structure of its borrowing in the treasury management strategy report each year.

5. Investment Policy

   The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective. The Council will have regard to the Communities and Local Government Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

Appendix B – Economic Summary

The below Economic Summary has been prepared by Treasury Solutions, Capita Asset Services. Treasury Officers at the Council, supported by advice from Capita, monitor the wider economy on a daily basis as it provides the context in which the Council invests its funds and provides information on credit risk relating to the Council's money.

The wider economic picture also provides information regarding the timing interest rates may increase, impacting investment strategy and also decisions on borrowing if applicable. Most Local Authority borrowing in general has traditionally been from the Public Works Loan Board (PWLB), a Central Government lending facility, whose rates are determined by UK Gilt rates and these fluctuate based on the wider UK economic environment. Although Wycombe District Council does not have any borrowing, the economic background is important should the Council choose to borrow in future.

ECONOMIC BACKGROUND

UK. GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme.

The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post positive growth numbers through the second half of 2016 and in 2017, albeit at a slower pace than in the first half of 2016.

The Monetary Policy Committee (MPC) meeting on 4th August was dominated by consideration of the initial shock fall in business surveys and the expected sharp slowdown in growth. The result was a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing for banks to use to lend to businesses and individuals. The Bank of England quarterly Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8% and the forecast for 2018 to 1.8%. However, some forecasters think that the Bank has been too pessimistic with its forecasts; since then, later statistics and the sharp recovery in business surveys have provided support for this view. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor, Phillip Hammond, announced, after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on 23rd November.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI had already started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 18% fall in the value of sterling on a trade weighted basis, (as at late October), is likely to result in additional upward pressure on CPI. However, this further increase in inflationary pressures will take 2-3 years to gradually work its way through the economy so is unlikely to cause major concern to the MPC unless the increases are stronger than anticipated. The MPC is, therefore, on balance, expected to look thorough this one off upward blip in inflation from the devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures *arising from within* the UK economy. The Bank of England will most probably have to revise its inflation forecasts significantly higher in its 3rd November quarterly Inflation Report: this rise in inflation expectations has caused investors in gilts to demand a sharp rise in longer term gilt yields, which have already risen by around fifty basis points since mid-August. It should be noted that 27% of gilts are held by overseas investors who will have seen the value of their gilt investments fall by 18% as a result of the devaluation of sterling, (if their investments had not been currency hedged). In addition, the price of gilts has fallen further due to a reversal of the blip up in gilt prices in early August after further quantitative easing was announced - which initially drove yields down, (i.e. prices up). Another factor that is likely to dampen gilt investor sentiment will be a likely increase in the supply of gilts if the Chancellor slows down the pace of austerity and the pace of reduction in the budget deficit in the Autumn Statement - as he has already promised. However, if there was a more serious escalation of upward pressure on gilt yields, this could prompt the MPC to respond by embarking on even more quantitative easing, (purchases of gilts), to drive gilt yields back down.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 disappointed at +0.8% on an annualised basis while quarter 2 improved, but only to a lacklustre +1.4%. However, forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December 2016. Overall, despite some data setbacks, the US is still probably the best positioned of the major world economies to make solid progress towards a balanced combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis.

EZ. In the Eurozone, the ECB commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016, (1.7% y/y), but slowed to +0.3%, (+1.6% y/y), in quarter 2. Forward indications are that economic growth in the EU is likely to continue at moderate levels with Germany continuing to outperform other major European economies. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant political risks within the EZ in as much as Spain has held two general elections since December 2015 and still been unable to form a functioning government holding a majority of seats, while the Netherlands, France and Germany face general elections in 2017. A further cause of major political tension and political conflict, is one of the four core principals of the EU – the free movement of people within the EU, (note – not in just the Eurozone common currency area). In addition, Greece has been a cause of major concern in terms of its slowness in delivering on implementing fundamental reforms required by the EU to reduce its budget deficit in exchange for the allocation of further bailout money.

Another area of major concern is that many Italian banks are exposed to substantial amounts of underperforming loans and are undercapitalised. Some German banks are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.

Asia. Economic growth in China has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures which further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in Japan is still anaemic, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There are also concerns around the vulnerability of some emerging countries which are particularly exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. Financial markets could also be vulnerable to risks from major sovereign wealth funds of those countries that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

Investment and Borrowing Strategy

The Councils Borrowing and Investment Position

1. The Council currently has no external borrowing as at 30 November 2016.

2. As at 30 November 2016 the Council held £83.1m of Investments. £81.1m of these are held to less than one year's maturity with the remainder held for longer than a year.

3. According to current cash flow forecasts, net investments are projected to be £61.6 million by 31 March 2017 and to £50.8 million by 31 March 2018.

4. The budget for investment income in 2017/18 is £521k, based on an average investment portfolio of £72.2 million at an interest rate of 0.70%. If actual levels of investments and borrowing, and actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Investment Strategy

5. The Council holds significant surplus funds, representing income received in advance of expenditure, plus balances and reserves. Both the CIPFA Code and the CLG Guidance require the Council 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**.

<u>Specified investments</u>

6. Specified investments are those expected to offer relatively high security and high liquidity, and can be entered into with the minimum of formalities. 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"

7. The Council defines the following as being of "high credit quality" for making specified investments, subject to the monetary and time limits shown.

Table 1.1 – Specified investment limits 2017/18

	Monetary limit
Banks and building societies (including Supranationals) holding long-term credit ratings[1] no lower than AA- or equivalent. (either UK based or domiciled in a country with a AA rating)	£6m each
Banks and building societies holding long-term credit ratings no lower than A or equivalent (either UK based or domiciled in a country with a AA rating)	£5m each
UK building societies holding a long-term credit rating no lower than A- or equivalent.	£4m
Other Financial institutions in which the UK government has a substantial financial stake in excess of 50% or is providing support subject to a notice period – for example the Council's banking services provider Natwest Plc.	£4m
Money market funds[1] holding credit ratings no lower than AAA	£7.5m per fund and £15m per fund administrator
UK Central Government (DMO DMADF and Gilts)	Unlimited
Supranationals	£5m each
UK Local Authorities[2]	£7.5m each

1 *AS DEFINED IN THE LOCAL AUTHORITIES (CAPITAL FINANCE AND ACCOUNTING) REGULATIONS 2003*

2 *AS DEFINED IN THE LOCAL GOVERNMENT ACT 2003*

Change from 2016/17 Strategy – Limits for Banks and Building societies with a credit rating higher than BBB+ have been increased by £1m to ensure adequate avenues for placing cash without diluting the credit quality of the Council's counterparties. This action is in response to the cut in interest rates and a fall in demand for Local Authority deposits due to increased requirements for financial institutions to set aside corresponding capital against deposits.

8. Counterparties are only required to meet the minimum credit rating with one of the rating agencies and the Council will take the highest rating for investment purposes. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

9. Investments may not be restricted to banks and building society deposits, but may be made with any public or private sector organisation providing that it meets the credit rating criteria above. This reflects a lower likelihood that central government will support failing banks following new Bail in

Regulations, as well as the removal of restrictions on local authority purchases of corporate bonds.

10. The Council's revenue reserves available to cover investment losses are forecast to be £51.2 million at 31st March 2017. In order that no more than 25% 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 £7.5 million. This will be kept under regular review.

Building societies

11. The Council will restrict deposits to UK building societies that hold credit ratings of A- or above. The Council will not place deposits with Building Societies that are not rated by one or more the main Credit Rating Agencies.

Money market funds

12. Money market funds are pooled investment vehicles consisting of instruments similar to those used by the Council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council.

13. Individual Money Market Fund managers operate several different funds. These have different objectives but are essentially the same in nature in terms of diversification of underlying investments. Investments may be invested in more than one fund run by the same fund manager, with an overall limit of £15m per fund manager.

14. Funds that offer same-day liquidity and a constant net asset value will be used as an alternative to instant access call accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment period.

Collateralised investments

15. Where the Council makes an investment with an organisation that is secured on collateral in a third party (e.g. a reverse repo or a collateralised deposit), the time limit may be extended to match the limit given above for the third party. However, the investment will still count against the cash limit of the organisation receiving the funds.

Non-specified investments

16. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any with low credit quality bodies nor any that are defined as capital expenditure by legislation, such as company shares.

17. 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. The maximum duration of the investment will depend upon its lowest published long-term credit rating:

Table 1.2 – Non Specified Investment Criteria

Long-term credit rating	Time limit
AAA	5 years
AA+	4 years
AA	3 years
A+ to AA-	2 years

18. The time limit for long-term investments in UK local authorities will be three years and in UK government 25 years.

19. Long-term investments will be limited to £3m per organisation except the UK Government which will be unlimited and Local Authorities (as defined in the 2003 Local Government Act) which will be £7.5m individually. The combined value of short-term and long-term investments with any organisation will not exceed the limits for specified investments outlined above.

20. The total limit on long-term investments and non-specified investments is £40 million.

<u>Property Fund</u>

21. The Council has direct property investments within the Wycombe District Council area amounting to £104.95m at 31 March 2016.

22. As part of its Treasury Management Strategy, the Council may seek to invest in an indirect property fund. This would be managed by a fund manager and may invest in properties across the UK or internationally. The Council would hold a shareholding in the fund based on the value of its investment.

23. Property Funds in the UK can provide returns of 4-6% at present together with capital appreciation. This is considerably more than the average of 0.7% currently being achieved on the Council's treasury investments. However, capital values can go down as well as up. The investment would also be long term and there are potential entry and exit fees. The Council will not invest more than £7.5m in indirect property funds.

24. One further consideration is whether such an investment would be considered capital expenditure or not. The Authority will seek guidance on the status of any fund and due diligence will be undertaken by the Head of Finance and Commercial and the Portfolio Holder before any investment is made.

Other Consideration

25. The criteria for choosing counterparties set out above provide a sound approach to investment in “normal” market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions, the Chief Financial Officer will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly the time periods for investments may be restricted.

26. In practice the strategy currently means that it is unlikely that any investments other than in local authorities and UK government will be longer than two years, as bank long term ratings have been reduced substantially over recent years.

Risk assessment and credit ratings

27. The Council uses long-term credit ratings from the three main rating agencies, Fitch Ratings Ltd, Moody’s Investors Service Inc, and Standard & Poor’s Financial Services LLC, to assess the risk of investment default. A counterparty needs to meet the minimum rating criteria from at least one of the rating agencies.

28. Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council’s credit rating criteria are set to ensure that it is very unlikely the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

29. Credit ratings are obtained and monitored by the Council’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 above criteria then:

- no new investments will be made,
- any existing investments that can be recalled at no cost will be recalled, and
- full consideration will be given to the recall of any other existing investments.

30. Where a credit rating agency announces that it is actively reviewing an organisation’s credit ratings with a view to downgrading it (also known as “negative rating watch”) so that it is likely to fall below the above criteria, then the Head of Finance and Commercial will consider suspending any further investments pending the outcome of the rating agency review. If after taking advice from the Council’s Treasury Management Advisors he/she is satisfied that there is no implied increase risk of default from the Counterparty then the Counterparty will continue to be used subject to meeting all other elements of the Council’s Investment criteria.

31. If rising balances and/or falling credit ratings mean that insufficient banks of "high credit quality" are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, for example.

<u>Other information on the security of investments</u>

32. The Council 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 banks and building societies, including credit default swap prices, financial statements and rating agency reports. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

<u>Foreign countries</u>

33. Investments in foreign countries will be limited to those that hold an AAA, AA+ or AA, sovereign credit rating from all three major credit rating agencies, and to a maximum of £10 million per foreign country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of and will count against the limit for both countries. There is no limit on investments in the UK irrespective of the credit rating.

34. Investments in countries whose rating is not AAA will be limited to one year's duration. Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union

<u>Investment instruments</u>

35. Investments may be made using any of the following instruments:

- Interest paying bank accounts
- Fixed term deposits
- Call or notice deposits (where the Council can demand repayment)
- Certificates of deposit
- Treasury bills and gilts issued by the UK government
- Bonds issued by multilateral development banks (e.g. the EIB)
- Shares in money market funds
- Shares in Enhanced Cash Funds

36. Investments may be made at either a fixed rate of interest, or at a variable rate (which may or may not be linked to a market interest rate, such as LIBOR).

Liquidity management

37. The Council uses spreadsheets to forecast cash flow to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. The forecast allows for a cushion of between £5million and £7million to be held on instant access deposit at all times.

38. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

Planned investment strategy for 2017/18

39. The cash flow forecast will be used to divide surplus funds into three categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned use of reserves, and a longer-term contingency
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income

40. Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Instant access AAA-rated money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

41. Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity, but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks, UK building societies and local authorities. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks; this may be achieved by the use of suitable medium-term money market funds. Deposits with lower credit quality names will be made for shorter periods only, while deposits with higher quality names can be made for longer durations.

42. Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Security remains important, as any losses from defaults will impact on the total return, but, fluctuations in price, and even occasional losses, can be managed over the long term within a diversified portfolio. Liquidity is of less concern, although it should still be

possible to sell investments, with due notice, if large spending commitments arise unexpectedly. The Council employs external fund managers that have the skills and resources to manage the risks inherent in a portfolio of long-term investments. This allows the Council to diversify into a wider range of instruments, including certificates of deposit, and gilts.

Borrowing Strategy

43. The Council had no external borrowing. However the Council has internally borrowed from existing balances to fund its capital programme. The Council's capital financing requirement (CFR, or underlying need to borrow) as at 31 March 2017 is expected to be £7.3 million.

44. In addition, the Council may borrow for short periods of time (up to two weeks) to cover unexpected cash flow shortages, though because of its cash flow projections outlined above this should prove unnecessary.

Sources of borrowing

45. The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board
- Any institution approved for investments above
- Any other bank or building society approved by the Financial Services Authority

Debt Instruments

46. As an alternative to borrowing, the Council may finance capital expenditure and incur long-term liabilities by means of leases. However, there are no immediate plans to use this other than in respect of embedded leases within the Joint Waste Collection Contract.

Treasury Management Indicators

47. The Council measures its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:

Security: average credit rating

48. The Council is asked to adopt a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio.

Table 1.3 – Average Investment Credit Rating

	Target
Portfolio average credit rating	A

49. For the purpose of this indicator, unrated local authorities are assumed to hold an AA+ rating. *The target average credit rating of 'A' is unchanged from the 2015/16 strategy.*

Liquidity: cash available within three months

50. The Council is asked to adopt a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period. This target is set at a minimum of £5 million without temporary borrowing, and £7 million with temporary borrowing. This range has been increased to reflect the higher level of expenditure being paid on Major Projects.

Interest rate exposures

51. This limit is set to control the Council's exposure to interest rate risk. In order to keep as much flexibility as possible in the investment and borrowing strategies these have been kept deliberately high. It is extremely unlikely that borrowing will be fixed over the next three years, but this does allow for that possibility. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed is:

Table 1.4 Net Principal Borrowed Interest Rate Exposures

	2017/18	2018/19	2019/20
	£m	£m	£m
Upper limit on fixed interest rate exposures	5	5	5
Upper limit on variable interest rate exposures	5	5	5

52. 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.

Maturity structure of borrowing

53. This limit 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:

Table 1.5 – Fixed borrowing 'Upper' and 'Lower' Limits

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within five years	100%	0%
Five years and within 10 years	100%	0%

10 years and above	100%	0%

54. This indicator applies to the financial years 2016/17, 2017/18, and 2018/19. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. These limits provide flexibility should the Council decide to enter into any new borrowing.

Principal sums invested for periods longer than 364 days

55. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond one year will be:

Table 1.6 – Overall investment limits >1 year

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£42m	£40m	£38m

Borrowing limits

56. The Council is being asked to approve these Prudential Indicators as part of the Prudential indicator report. These limits consist of a limit for external borrowing (loans) from third parties and 'Other Long Term Liabilities' which cover Finance Leases. This second element includes the Council's Financial Liabilities under the Waste Collection contract for both Vehicles and Bin Recepticles. These limits are unchanged from 2015/16.

Table 1.7 – Operational boundary

	2017/18	2018/19	2019/20
Operational boundary – borrowing	£10m	£10m	£10m
Operational boundary – other long-term liabilities	£8m	£8m	£8m
Operational boundary – TOTAL	£18m	£18m	£18m

Table 1.8 – Authorised limit for external debt

	2017/18	2018/19	2019/20
Authorised Limit – borrowing	£10m	£10m	£10m
Authorised Limit – other long-term liabilities	£9m	£9m	£9m
Authorised Limit – TOTAL	£19m	£19m	£19m

Other Matters

57. The CLG Investment Guidance requires the Council to note the following matters each year as part of the investment strategy:

Treasury management advisers

58. The Council is currently in contract with Capita Asset Services to provide advice and information relating to its investment and borrowing activities. However, responsibility for final decision making remains with the Council and its officers. The services received include:

- Advice and guidance on relevant policies, strategies, and reports
- Advice on investment decisions
- Notification of credit ratings and changes
- Other information on credit quality
- Advice on debt management decisions
- Accounting advice
- Reports on treasury performance
- Forecasts of interest rates, and
- Training courses

59. The quality of this service is controlled by half yearly review meetings.

Investment Training

60. The needs for training of the Council's treasury management staff in investment management are assessed periodically as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

61. Staff regularly attend training courses, seminars and conferences provided by Capita Asset Services and CIPFA.

Investment of money borrowed in advance of need

62. The Council could, from time to time, borrow in advance of spending need where this is expected to provide the best long term value for money. Since amounts borrowed would be invested until spent, the Council is aware that it would 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 would be managed as part of the Council's overall management of its treasury risks.

63. Any total amount borrowed would not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure would be expected to be two years, although the Council does not link particular loans with particular items of expenditure.

Appendix D

The Capital Prudential Indicators 2016/17 – 2019/20 and Minimum Revenue Provision Policy

Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity. This report updates currently approved indicators to 2019/20.

2. Within this overall prudential framework there is an impact on the Council's treasury management activity – as it will directly impact on borrowing or investment activity. The treasury management strategy for 2017/18 is included elsewhere on this agenda, and that strategy includes any indicators relating specifically to the treasury activity.

The Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. These need to be affordable, sustainable and prudent. The revenue consequences of this will need to be paid for from the Council's own resources.

4. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual expenditure will add to the Council's borrowing need.

5. The key risks to the plans are that the level of Government support has been estimated and may be subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale.

6. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

Indicator 1 Capital Expenditure £m	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
General Fund	10.930	17.542	1.405	1.185
Financed by:				
Capital receipts	6.6770	13.676	0.605	0.385
CIL & Section 106	3.041	3.066	0.000	0.000
Grant receipts	1.212	0.800	0.800	0.800
Revenue Development Reserve (RDR)	0.000	0.000	0.000	0.000

Net financing need for the year	**0.000**	**0.000**	**0.000**	**0.000**

Figures above are for Capital Expenditure only and consequently differ from the Major Projects Programme.

These figures are based on a draft capital programme as at December 2016. A revised capital programme will be approved in February 2017 by Council and this will alter the capital expenditure and funding figures presented within this report.

The Council's Borrowing Need (the Capital Financing Requirement)

7. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.

8. The Council is asked to approve the CFR projections below:

Indicator 2 £m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
CAPITAL FINANCING REQUIREMENT				
CFR at year end	7.270	6.352	5.498	4.973
Movement in CFR	**-0.918**	**-0.918**	**-0.854**	**-0.525**

Breakdown of Movement in CFR				
Net financing need for the year (above)	0.000	0.000	0.000	0.000
MRP/VRP and other financing movements	-0.918	-0.918	-0.854	-0.525
Movement in CFR	**-0.918**	**-0.918**	**-0.854**	**-0.525**

9. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision MRP), although it is also allowed to undertake additional voluntary payments (VRP). The figures above assume only the MRP will be made.

10. CLG Regulations have been issued which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement :

11. For capital expenditure incurred before 1 April 2008 or which in the future will be Supported capital Expenditure, the MRP policy will be:

- **Existing practice -** MRP will follow the existing practice outlined in former CLG Regulations.

12. From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the regulations.

The Use of the Council's resources and the Investment Position

13. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the available year end balances for each resource together with working capital.

Indicator 3 Year End Resources £m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Fund balances				
Capital receipts Reserve	15.1	4.3	5.7	7.3
Revenue reserves	53.2	53.8	53.4	51.6
Total Core Funds	**46.3**	**36.1**	**37.1**	**36.9**
Working Capital*	5.0	5.0	5.0	5.0
Borrowing net of CFR	-7.3	-6.4	-5.5	-5.0
Expected Investments	**44.0**	**34.7**	**36.6**	**36.9**

***** Working capital balances shown are estimated year end; these may be higher at certain points during the year.

Affordability Prudential Indicators

14. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

15. **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Indicator 4 %	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Ratio	3.61	4.40	4.02	1.10

Financing Costs (£m's)	0.550	0.618	0.545	0.145
Net Revenue Stream (£m's)	15.238	14.035	13.563	13.227

16. The estimates of financing costs include current commitments and the proposals in this budget report. The financing costs include MRP, interest on finance leases (Waste Contract). The net revenue stream takes account of all government funding used to support the General Fund (RSG, Business Rates funding, Section 31 Grants and New Homes Bonus) as well as Council Tax income.

17. **Estimates of the incremental impact of capital investment decisions on the Council Tax (Indicator 5)** – This indicator identifies the revenue costs associated with proposed changes in the major projects programme (capital expenditure only) recommended in the budget report compared to the Council's existing approved commitments and current plans. The Council's financial strategy is based on the premise that capital financing decisions have no impact on the revenue budget. Any surplus income is transferred to capital funds, and expenditure on the major projects programme is designed to ensure that it results in no capital financing costs that would impact on council tax levels.

Limits to Borrowing Activity

19. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well-defined limits

20. For the first of these **(Indicator 6)** the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years.

21. The Chief Financial Officer reports that the Council complies with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

22. The Operational Boundary for external debt – This indicator is not a limit but represents a possible level of debt that may be reached during the year. It allows for overdrafts and any temporary borrowing that may be necessary pending asset sales.

Indicator 7 Operational Boundary £m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Borrowing	10.0	10.0	10.0	10.0

Other long term liabilities	8.0	8.0	8.0	8.0
Total	18.0	18.0	18.0	18.0

23. The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It includes any bank overdraft and temporary borrowing which may be necessary to manage cash flow and pending asset sales. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

24. The Council is asked to approve the following Authorised Limit:

Indicator 8 Authorised limit £m	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
Borrowing	10.0	10.0	10.0	10.0
Other long term liabilities	9.0	9.0	9.0	9.0
Total	19.0	19.0	19.0	19.0

Appendix E - Treasury Investment options

The table below outlines fixed deposit counterparties available to be used by the Council. A counterparty will not be on the list below for any of the following reasons:

- The Counterparty is not accepting Local Authority fixed term deposits or has not put itself forward as being in the market for these
- Minimum investment amounts required by the Counterparty exceed the levels the Council is permitted to invest under its strategy
- The Counterparty does not meet the Council's minimum credit rating criteria
- Investment rates provided by the Counterparty do not provide any significant uplift from the UK Government's Debt Management Office (DMO) rate of 0.15%

Table 1 – Counterparties that are available for use by the Council as at 30 November 2016

Counterparty	Status
Lloyds TSB	In use
Barclays Bank	In use
Goldman Sachs Bank	In Use
Close Brothers Ltd	In Use
Handelsbanken	In Use
HSBC	In Use
Leeds Building Society	In Use
Coventry Building Society	In Use
Nationwide Building Society	In Use
Santander UK	Not Currently Used
Emirates National Bank of Dubai	Not Currently Used
Other Local Authorities	In Use

Wycombe District Council

Year ending 31 March 2017

Audit Plan

12 January 2017

Ernst & Young LLP

Building a better working world

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Tel: + 44 118 928 1599
Fax: + 44 118 928 1101
ey.com

Audit & Standards Committee
Wycombe District Council
Queen Victoria Road
High Wycombe
Buckinghamshire
HP11 1BB

12 January 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response.

We welcome the opportunity to discuss this plan with the Committee on 12 January 2017 and to understand whether there are other matters which it considers may influence our audit.

Yours faithfully

Maria Grindley
For and behalf of Ernst & Young LLP
Enc

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘‘Statement of responsibilities of auditors and audited bodies ’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

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

- Our audit opinion on whether the financial statements of Wycombe District Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

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

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

- strategic, operational and financial risks relevant to the financial statements;

- developments in financial reporting and auditing standards;

- the quality of systems and processes;

- changes in the business and regulatory environment; and

- management's views on all of the above.

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

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of its operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with the Audit Committee.

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue and expenditure recognition	
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.	We will ► Review and test revenue and expenditure recognition policies; ► Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ► Develop a testing strategy to test material revenue and expenditure streams; ► Review and test revenue cut-off at the period end date; ► Review in-year financial projections and compare to year-end position; and ► Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.
Risk of management override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: ► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► Reviewing accounting estimates for evidence of management bias, ► Evaluating the business rationale for significant unusual transactions; and ► Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind the Committee that management has the primary responsibility to prevent and detect fraud. It is important that management - with the oversight of those charged with governance - has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ► identifying fraud risks during the planning stages;
- ► asking management about risks of fraud and the controls to address those risks;

- understanding the oversight given by those charged with governance of management's processes over fraud;
- considering the effectiveness of management's controls designed to address the risk of fraud;
- determining an appropriate strategy to address any identified risks of fraud; and
- performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

For 2016/17 this is based on the overall evaluation criterion:

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

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

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

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

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

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

Our risk assessment helps us to plan enough work for us to deliver a safe conclusion on arrangements to secure value for money, and enables us to determine the nature and extent of any further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. We have not identified any risks which we view as relevant to our value for money conclusion.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- financial statements, and
- arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

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

We report by exception on the governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

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

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

4.2 Audit process overview

Our audit involves:

- Audit process overview;
- Assessing the key internal controls and testing the operation of controls;
- Review and re-performance of the work of internal audit in relation to controls testing of Accounts Payable;
- Reliance on the work of experts on pensions and valuations; and
- Substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the Council has identified accounts payable as an area where we will seek to test key controls:

Analytics

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

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

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

Internal audit

As in previous years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Use of specialists

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

Area	Specialists
Property, plant and equipment	Wilks, Head and Eve
Pensions	EY Pensions team/ Barnett Waddingham
Business rates provision	Analyse local

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

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

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

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during our audit.

Procedures required by standards

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

Procedures required by the Code

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

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

In order to decide whether the financial statements are free from material error, we define materiality as the scale of an omission or misstatement that, individually or added together could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £1,864,300 based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £93,215 to the Committee.

The amount we consider material at the end of the audit may differ from our initial decision. At this stage, however, we cannot anticipate all the circumstances that might influence our judgement. At the end of the audit we will form our final opinion by referring to anything that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Wycombe District Council is £61,936, together with an estimated fee of £29,145 for the certification of the housing benefits subsidy claim.

4.6 Your audit team

The engagement team is led by Maria Grindley, who is experienced in the audit of public sector bodies, and in particular of local government. Maria is supported by Susan Gill, who is responsible for the day-to-day direction of audit work and the key point of contact for the Head of Finance.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016/17.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chairman as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	**December 2016 to January 2017**	**12 January 2017**	Audit Fee Letter Audit Plan
Risk assessment and setting of scopes	**January 2017**	**12 January 2017**	Audit Plan
Testing routine processes and controls	**January 2017**	**June 2017**	Progress Report
Year-end audit	**July 2017**		
Completion of audit	**September 2017**	**September 2017**	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and the overall value for money conclusion). Reporting to the NAO on the Whole of Government Accounts return. Audit completion certificate
Conclusion of reporting	**October 2017**	**November 2017**	Annual Audit Letter
Housing Benefit Claim	**June to November 2017**		Certified claim
Reporting on Certification work	**December 2017**	**January 2018**	Annual certification work report

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with the Council on a timely basis on all significant facts and matters which have a bearing on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with the Council's governance on matters in which it has an interest.

Required communications

Planning stage	Final stage
► Any principal threats to objectivity and independence identified by EY including consideration of all relationships between the Council, its affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ► The overall assessment of threats and safeguards; ► Information about EY's general policies and processes to maintain objectivity and independence.	► A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards we have and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged for them; ► Written confirmation that we are independent; ► Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ► An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

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

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in the entity. Examples include where we have an investment in the entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and are in accordance with PSAA Terms of Appointment. No non-audit work is planned at this stage.

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

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

Self-review threats

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

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

Management threats

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

Other threats

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

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

Overall Assessment

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

5.3 Other required communications

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

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016-17 £	Scale fee 2016-17 £	Outturn fee 2015-16 £	Explanation
Opinion Audit and VFM Conclusion	61,936	61,936	61,936	
Total Audit Fee – Code work	**61,936**	**61,936**	**61,936**	
Certification of claims and returns [1]	29,145	29,145	16,833	The planned fee is based on actual benefit certification fees for 2013/14 (when extra work was needed) but includes a 25 per cent reduction. However we will adjust for work actually done
Non-audit work	0	0	0	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- officers meet the agreed timetable of deliverables;
- there are no significant deficiencies in the operating effectiveness of the internal controls for key processes outlined in section 4.2 above;
- we can rely on the work of internal audit as planned;
- our accounts opinion and value for money conclusion are unqualified;
- the Council provides appropriate quality documentation; and
- the Council has an effective control environment.

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

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

[1] Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process	► Audit Results Report
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	► Audit Results Report
Fraud ► Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	► Audit Results Report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	► Audit Results Report
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	► Audit Results Report
Consideration of laws and regulations ► Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	► Audit Results Report

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	► Audit Plan ► Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	► Audit Results Report
Significant deficiencies in internal controls identified during the audit	► Audit Results Report
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	► Audit Plan ► Audit Results Report Annual Audit Letter if considered necessary
Certification work ► Summary of certification work undertaken	► Certification Report ► Annual Audit Letter if considered necessary

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Tel: + 44 118 928 1599
Fax: + 44 118 928 1101
ey.com

Karen Satterford
Chief Executive
Wycombe District Council
Queen Victoria Road
High Wycombe
HP11 1BB

11 April 2016

Ref: WycombeDC/fee 16-17 letter

Direct line: 07769 932604

Email: MGrindley@uk.ey.com

Dear Karen

Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Wycombe District Council.

Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- audit of the financial statements;
- value for money conclusion; and
- Whole of Government Accounts.

For Wycombe District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- officers meet the agreed timetable of deliverables;
- internal controls for the key processes identified in our audit strategy operate effectively;
- we can rely on the work of internal audit as planned;
- our accounts opinion and value for money conclusion are unqualified;
- the Council provides appropriate quality of documentation;

- there is an effective control environment; and
- prompt responses are provided to our draft reports.

Meeting these assumptions will help to ensure the audit is delivered at the indicative audit fee set out in the table below.

As we have not yet completed the audit for 2015/16, our planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and includes a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with a complete and materially accurate housing benefit subsidy claim with supporting working papers, within an agreed timetable.

The fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set it at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	61,936	61,936	85,236
Certification of housing benefit subsidy claim	29,145	16,833	38,860

NB the scale fee for certification work in 2014/15 was £33,230 but extra work was required as reported to you in our report to the Audit Committee.
The scale fee for the audit in 2014/15 was £82,581 but extra work was required to deal with queries from a member of the public.

Any additional work that we may agree to undertake (outside the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in four quarterly instalments of £22,770.25.

Audit plan

We expect to issue our plan in March 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the head of Finance and Commercial and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

Audit team

The key members of the audit team for the 2016/17 financial year are:

Maria Grindley **Executive Director**	MGrindley@uk.ey.com	Tel: 07769 932604
Susan Gill **Manager**	SGill4@uk.ey.com	Tel: 07779 575702
Joyce Mwape **Lead Executive**	JMwape@uk.ey.com	Tel: 07468 742037

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

MGrindley

Maria Grindley
Executive Director
For and on behalf of Ernst & Young LLP
United Kingdom

cc Steve Richardson, Head of Finance and Commercial
Mike Appleyard, Chairman of the Audit Committee

Wycombe District Council

DRAFT AUDIT COMMITTEE WORKPLAN

Work Programme – March 2017 – November 2017

Title & Subject Matter	Contact Officer	Training
March 2017		
2016/17 Q3 Service Performance Report Report providing information on specific performance indicators from October to December 2016.	Corporate Policy Team Leader	
Health & Safety Work Programme 2017/18 Proposed Annual Health and Safety work programme for 2017/18.	Shared Services Support Manager	
Proposed Internal Audit Programme 2017/18 A report setting out the proposed Internal Audit coverage for 2016/17.	Audit, Risk and Fraud Manager	
Regulation of Investigatory Powers Act (Information Sheet) Update on the use of these powers by the Council in performing its enforcement activities.	Principal Solicitor	
June 2017		
2016/17 Q4 and End of Year Service Performance Report Report providing information on specific performance indicator from January to March 2017.	Corporate Policy Team Leader	
Health and Safety Annual Report Report providing an update on health and safety issues and key health and safety statistics for 2016/17	Shared Services Support Manager	
Annual Review of Anti-Fraud and Anti-Corruption Policy Review of the Anti-Fraud and Corruption Policy for 2017	Audit, Risk and Fraud Manager	
Draft Annual Governance Statement To consider the draft Annual Governance Statement for 2017/18	Head of Democratic, Legal and Policy Services	
Audit Committee Terms of Reference – Self-Assessment of Good Practice Report considering the annual review of the terms of reference in accordance with CIPFA	Audit, Risk and Fraud Manager	

Title & Subject Matter	Contact Officer	Training
Audit, Risk & Fraud Manager's Annual Report Report providing an update on the work of the Internal Audit Services for 2016/17	Audit, Risk and Fraud Manager	
September 2017		
Approval of 2016/17 Statement of Accounts Report to approve the 2016/17 Statement of Accounts	Head of Finance and Commercial	
External Auditor's ISA 260 Audit Results Report To consider Ernst & Young's Audit Results Report and findings from the 2016/17 audit.	External Auditor	
Implementation of Internal Audit Recommendations Report providing an update on the progress of the implementation of recommendations that had arisen from the final reports issued during 2016/17.	Audit, Risk & Fraud Manager	
Treasury Management Annual Report 2017/18 & Prudential Indicators Report setting out the treasury management activities for the first six months of 2017/18, including prudential indicators, investment and borrowing.	Financial Services Manager	
2017/18 Q1 Service Performance Report Report providing information on specific performance indicators from April to June	Corporate Policy Team Leader	
November 2017		
2017/18 Q2 Service Performance Report	Corporate Policy Team Leader	
Audit, Risk & Fraud Manager's Half Yearly Report	Audit, Risk and Fraud Manager	
Treasury Management Mid-Year Report 2017/18	Financial Services Manager	