

Notice of Meeting



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Governance and Ethics Committee

Monday, 29th July, 2019 at 4.30 pm
in Council Chamber Council Offices
Market Street Newbury

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Date of despatch of Agenda: Friday, 19 July 2019

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Moira Fraser/Stephen Chard on (01635) 519045/519462

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Agenda - Governance and Ethics Committee to be held on Monday, 29 July 2019
(continued)

To: Councillors Jeff Beck (Chairman), James Cole, Jeremy Cottam (Vice-Chairman), Barry Dickens, Jane Langford, Tony Linden, Thomas Marino, David Marsh, Geoff Mayes, Andy Moore and Joanne Stewart

Substitutes: Councillors Adrian Abbs, Carolyne Culver, Lee Dillon, Steve Masters, Claire Rowles and Garth Simpson

Agenda

Part I

	Page No.
1 Apologies To receive apologies for inability to attend the meeting (if any).	
2 Minutes To approve as a correct record the Minutes of the meeting of this Committee held on 17 June 2019.	1 - 4
3 Declarations of Interest To remind Members of the need to record the existence and nature of any personal, disclosable pecuniary or other registrable interests in items on the agenda, in accordance with the Members' Code of Conduct .	
4 Forward Plan <i>Purpose: To consider the Forward Plan for the next 12 months.</i>	5 - 8

Governance Matters

5 Internal Audit Annual Assurance Report 2019/19 (GE3625) <i>Purpose: The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council.</i>	9 - 22
6 Annual Governance Statement (GE3627) <i>Purpose: To allow the Committee to review the Annual Governance Statement before it is signed by the Leader and Chief Executive.</i>	23 - 34
7 West Berkshire Council Financial Statements 2018/19 (GE3624) <i>Purpose: To provide Members with the final copy of the Council's Financial Statements.</i>	35 - 46



Agenda - Governance and Ethics Committee to be held on Monday, 29 July 2019
(continued)

- | | | |
|----|--|---------|
| 8 | Financial Year 2018/19 Going Concern Assessment (GE3781)
<i>Purpose:</i> This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2018/19. | 47 - 62 |
| 9 | External Audit Fee (GE3624a)
<i>Purpose:</i> To present to Members the Audit Fee Letter for 2019/20 from Grant Thornton. | 63 - 74 |
| 10 | Proposals for Reviewing the Constitution (GE3792)
<i>Purpose:</i> To agree, at the Governance and Ethics Committee's request, a programme for reviewing the Council's Constitution. | 75 - 88 |

Sarah Clarke
Head of Legal and Strategic Support

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Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

GOVERNANCE AND ETHICS COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 17 JUNE 2019

Councillors Present: Adrian Abbs (Substitute) (In place of Andy Moore), Jeff Beck (Chairman), James Cole, Jeremy Cottam (Vice-Chairman), Barry Dickens, Jane Langford, Tony Linden, Steve Masters (Substitute) (In place of David Marsh), Geoff Mayes and Joanne Stewart

Also Present: Sarah Clarke (Head of Legal and Strategic Support), Andy Walker (Head of Finance and Property), Moira Fraser (Democratic and Electoral Services Manager)

Apologies for inability to attend the meeting: Councillor Thomas Marino, Councillor David Marsh and Councillor Andy Moore

PART I

3 Minutes

The Chairman welcomed everyone to the meeting.

The Chairman explained that as only he, Councillor Geoff Mayes, Councillor Jane Langford and Councillors Barrie Dickens were present at the 15 April 2019 meeting and as Councillors Dickens and Langford were non-voting members it was not possible to approve the minutes of that meeting. The Minutes of the meeting held on 15 April 2019 were therefore noted subject to the inclusion of the following amendment:

Item 33 (Internal Audit Plan 2019-2022), page 4, final paragraph - replace the word 'carting' with 'carrying'.

The Minutes of the meeting held on the 21 May 2019 were approved as a true and correct record and signed by the Chairman.

4 Declarations of Interest

Councillor Joanne Stewart declared an interest in Agenda Item 4 (Forward Plan), but reported that, as her interest was a personal or an other registrable interest, but not a disclosable pecuniary interest, she determined to remain to take part in the debate and vote on the matter.

5 Forward Plan

Councillor Joanne Stewart declared a personal interest in the forward plan. As her interest was personal she determined to take part in the debate and vote on the matter).

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4).

Councillor James Cole asked that an item be added to the Forward Plan setting out a staged process for reviewing the Constitution. The Chairman suggested that it would be useful to set up a small working group comprising Officers and Members to undertake the review. He suggested that the meetings would take place during the working day and that Members needed to bear this in mind if they wished to volunteer to sit on the group. The membership of the group would be based on proportionality. Sarah Clarke agreed to put together a paper setting out a proposed course of action.

Councillor Adrian Abbs queried if this process would obviate any other changes being made to the Constitution. The Monitoring Officer explained that it would be possible to

GOVERNANCE AND ETHICS COMMITTEE - 17 JUNE 2019 - MINUTES

make changes to the Constitution but that any changes would be brought to this Committee for discussion prior to being tabled at Council for a decision.

Councillor Steve Masters stated that the Green Party was supportive of the review of the Constitution as they had become aware of some limitations arising from the Constitution that they would like to have reviewed.

RESOLVED that:

- 1. the Governance and Ethics Committee Forward Plan be noted.**
- 2. a report be drafted by the Monitoring Officer for the 29 July 2019 meeting setting out a timetable and process for reviewing the Constitution.**

6 Exclusion of Press and Public

RESOLVED that members of the press and public be excluded from the meeting for the under-mentioned item of business on the grounds that it involves the likely disclosure of exempt information as contained in Paragraphs 3,5 and 6 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the [Local Government \(Access to Information\)\(Variation\) Order 2006](#). [Rule 8.10.4 of the Constitution also refers](#).

7 Corporate Risk Register - Q4 Update 2018/19 (GE3639)

Councillor Barry Dickens left the meeting at the start of the discussion on this item.

(Paragraph 3 – information relating to financial/business affairs of particular person)

Paragraph 5 – information relating to legal privilege

Paragraph 6 – information relating to proposed action to be taken by the Local Authority)

The Committee considered an exempt report (Agenda Item 6) which set out the Council's corporate risks and the approaches that were being taken to mitigate those risks.

Catalin Bogos in introducing the item explained that Council's Corporate Risk Register would be presented to the Governance and Ethics Committee every six months. He outlined the main changes that had been made to the document since it had last been presented to Members. The document was a 'work in progress' and would continue to be amended over time. In addition the revised approach that was being taken to risk registers meant that this was an organic document that would constantly be evolving with risks being added and removed from the register on a quarterly basis.

The main changes to the presentation of the document were the inclusion of a 'gross rating', 'current rating' and an 'expected net rating' set of columns. In addition a column setting out estimated cost had been included. It was however accepted that not all costs could be quantified and some would require more work before they could be included. Members queried how these costs were derived. Mr Bogos explained that they were based on probability and professional judgement.

Councillor James Cole informed the Committee that he worked in this field and that when he had first starting looking into the Council's processes he had found that the risk registers tended to be static. He welcomed the new processes and stated that while a lot of progress had been made this was still a work in progress.

Catalin Bogos explained that as part of the revised processes underpinning the process each Head of Service would have a risk register which would be embedded in their service planning and would be discussed with portfolio holders as part of that process. Heads of Service would meet with their Directors and they would formulate a Directorate Risk Register.

The Corporate Risk Register (CRR) would comprise major risks escalated via the Head of Service and Directorate levels and this register was managed by Corporate Board. They were provided with quarterly reports. As a result of this change in process risks

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were being constantly monitored and therefore escalated and de-escalated as appropriate. The number of risks and current scores on the CRR would therefore fluctuate depending on context and the effectiveness of mitigation. Some risk ratings were also adjusted to reflect regional and national assessments. The quarter 4 report set out a proposal to deescalate two of the risks.

Mr Bogos commented that the implementation of the new Council Strategy might result in an increase in the number of risks included on the CRR as well as the Service and Directorate Risk Registers.

He noted that in accordance with the Constitution 'The overall purpose of the Governance and Ethics Committee is to provide effective challenge across the Council and independent assurance on the risk management and governance framework and associated internal control environment to members and the public'. While Corporate Board was responsible for maintaining and monitoring the CRR, the Committee needed to ensure that the processes being adopted were sufficiently robust.

Councillor Jane Langford noted that the risk matrix was based on impact and likelihood but queried if there would be any merit in including a third axis relating to sustainability in order to encourage innovation and to encourage officers to consider different approaches to reducing risk around specific issues. This could include invest to save measures as well as preventative work.

(Councillor Jeremy Cottam left the meeting at 6.20pm)

Councillor James Cole accepted that Corporate Board were tasked with looking at specific risks and understood that mitigation measures were the responsibility of named Officers. He queried if there was any ownership by Members of the identified risks. Officers explained that all Portfolio Holders should be working through the Service Risk Registers with their relevant Heads of Service during briefing sessions and signing them off at that stage. It was also explained that the Corporate Risk Register was included on Operations Board agendas on a quarterly basis would give Executive Members the opportunity to review that document.

Councillor Adrian Abbs stated that he would like to see a column inserted which reflected risk over time.

Catalin Bogos stated that it was important not to make the document unwieldy and suggested that it would be best to address the sustainability issue raised by Councillor Langford in the associated guidance.

Councillor James Cole stated that one of the things he would like the Committee to look at going forward was around risk appetite. He recommended that Officers look at the work being undertaken by Maidstone Council as he felt that this was a good example to follow.

Councillor Garth Simpson stated that it might be useful to include some totals on the tables set out on pages 49 and 51 of the paperwork.

RESOLVED that the exempt recommendations as set out in the report be agreed.

Sarah Clarke reminded Members that this was a confidential report and that the details set out in it needed to be treated accordingly.

(The meeting commenced at 5.00 pm and closed at 6.22 pm)

CHAIRMAN

Date of Signature

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Governance and Ethics Committee Forward Plan September 2019 – July 2020

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
02 September 2019						
1.		No items to date				
25 November 2019						
2.	GE3637	Financial Statements 2018/19 - Annual Audit Letter	To provide Members with the Final Annual Audit Letter 2018/19 from <i>external auditor</i> . <i>The audit letter summarises the outcome from their audit work at West Berkshire Council in relation to the 2018/19 audit year.</i>	Lesley Flannigan	Councillor Howard Woollaston Internal Governance	Audit
3.	GE3638	Internal Audit – Interim Report 2019-20	To update the Committee on the outcome of internal audit work.	Julie Gilhespey	Councillor Howard Woollaston Internal Governance	Audit
03 February 2020						
4.	GE3691	Risk Management Update Report Q2 2019/20	To update the Committee on Council risks.	Catalin Bogos	Councillor Howard Woollaston Internal Governance	Audit
20 April 2020						
5.	C3686	Amendments to the Constitution – Scheme of Delegation	To review and amend sections of the Scheme of Delegation in light of legislative changes and current practice.	Sarah Clarke	Councillor Howard Woollaston Internal Governance	Governance
6.	GE3687	Monitoring Officer's Annual Report to the Governance and Ethics Committee –2019/20	To provide an update on local and national issues relating to ethical standards and to bring to the	Sarah Clarke	Councillor Howard Woollaston Internal	Ethics

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
		Year End	attention of the Committee any complaints or other problems within West Berkshire.		Governance	
7.	GE3688	Internal Audit Plan 2020/21	To outline the proposed internal audit work programme for the next three years	Julie Gilhespey	Councillor Howard Woollaston Internal Governance	Audit
8.	GE3689	External Audit Plan 2020-21	To provide Members with a copy of the External Audit Plan for 2020-21	Julie Gilhespey	Councillor Howard Woollaston Internal Governance	Audit
9.	GE3690	Internal Audit – Interim Report 2019-20	To update the Committee on the outcome of internal audit work.	Julie Gilhespey	Councillor Howard Woollaston Internal Governance	Audit
June 2020						
10.	GE3819	Risk Management Report Year End 2019/20	To provide an update with progress.	Catalin Bogos	Councillor Howard Woollaston Internal Governance	Audit
July 2020						
11.	GE3820	West Berkshire Council Financial Statements 2019/20	To provide Members with the final copy of the Council's Financial Statements	Andy Walker	Councillor Jeff Cant Finance	Audit
12.	GE3821	Internal Audit Annual Assurance Report 2018/19	The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council.	Julie Gilhespey	Councillor Howard Woollaston Internal Governance	Audit
13.	GE3822	Financial Year 2019/20 Going Concern Assessment	This report summarises the management assessment of the Council continuing to operate as a	Shannon Coleman-Slaughter	Councillor Jeff Cant Finance	Audit

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
			going concern for the purposes of producing the Statement of Accounts for 2019/20.			
14.	GE3823	Annual Governance Statement	To allow the committee to review the Annual Governance Statement before it is signed by the Leader and Chief Executive	Andy Walker	Councillor Howard Woollaston Internal Governance	Audit
15.	GE3824	External Audit Fee 2020-21	To present to members the Audit Fee Letter for 2020/21 from Grant Thornton. The letter sets out the fee for the audit in line with the prescribed scale fee set by the Public Sector Audit Appointments Ltd (PSAA).	Shannon Coleman-Slaughter	Councillor Howard Woollaston Internal Governance	Audit

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Internal Audit Annual Assurance Report 2018/19 - Summary Report

Committee considering report: Governance and Ethics Committee on 29 July 2019

Portfolio Member: Councillor Howard Woollaston

Date Portfolio Member agreed report: 04 July 2019

Report Author: Julie Gillhespey (Audit Manager)

Forward Plan Ref: GE3625

1. Purpose of the Report

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council.

2. Recommendation

- 2.1 That the Governance and Ethics Committee note the contents of the report.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** Internal Audit work helps to improve risk management processes by identifying weaknesses in systems and procedures and making recommendations to provide mitigation. The aim of which is to help ensure that services and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.
- 3.6 **Property:** None
- 3.7 **Other:** None

4. Other options considered

- 4.1 None, the Public Sector Internal Audit Standards (PSIAS) require an annual report to be prepared.

4.2 Executive Summary

5. Introduction / Background

5.1 The PSIAS require the Audit Manager to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.

5.2 The audit opinion is based upon the assurance work undertaken during the year; knowledge gained from previous assurance work; as well as intelligence gained from other sources of assurance, both internal and external, for example, Ofsted and the Council's Finance and Governance Group.

5.3 Purpose of the Audit Manager's Annual Assurance Report

To provide:-

- (1) An opinion on the Council's governance, risk management and control environment;
- (2) Information to support the opinion given;
- (3) A summary of the work undertaken compared with planned;
- (4) Performance of the Internal Audit Team;
- (5) A statement as to whether the work of the Audit Team complies with the PSIAS.

5.4 Assurance Opinion

- (1) The Audit Manager can provide reasonable assurance that the governance, risk management and control framework remains robust. There was only one audit deemed to be weak, which was the review of the Use of Procurement Cards, and although it has a Council wide implication, there are relatively low values involved.
- (2) Work on key financial systems has concluded that they are well controlled.
- (3) There were three follow-up reviews completed during the year, all of which concluded satisfactory progress had been made to action the agreed recommendations.

5.5 Performance of the Audit Team

The team has a service performance indicator to achieve 80% of the audit plan. For 2018/19 the actual result was 81%, this is slightly lower than the result achieved for the previous year which was 85%. The reduction in performance was due to there being a trainee in the auditor post and there being vacancies for a period during the year.

6. Proposal

6.1 For the Governance and Ethics Committee to note the content of this report.

7. Conclusion

- 7.1 The Audit Manager's annual audit opinion is that reasonable assurance can be provided that the Council's governance, risk management and control framework remains robust.

8. Appendices

- 8.1 Appendix A – Internal Audit Annual Assurance Report - Supporting Information
- 8.2 Appendix B – Audit Work in Progress as at 31st March 2019
- 8.3 Appendix C – Audit Work Completed for the last quarter of 2018/19.

Internal Audit Annual Assurance Report 2018/19 - Supporting Information

1. Introduction/Background

- 1.1 The Accounts and Audit (England) Regulations (2015) require each local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), including the CIPFA "Local Government Application Notes", require the Chief Audit Executive (the Audit Manager) to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.
- 1.3 This report provides that opinion and includes information to support the opinion given. The report content has been compiled to conform to the requirements of the PSIAS.
- 1.4 The audit opinion is based upon the assurance work undertaken during the year and knowledge gained from previous assurance work, as well as intelligence gained from other sources of assurance, both internal and external, for example, Ofsted and the Council's Finance and Governance Group.
- 1.5 A system of internal control cannot provide total assurance that all risk has been identified and eliminated; it is used to manage the level of risk so that it is at an acceptable level for an organisation, taking into account the Council's risk appetite.

2. Supporting Information

2.1 Purpose of the Audit Manager's Annual Assurance Report

To provide:-

An opinion on the Council's governance, risk management and control environment;

- (1) Information to support the opinion given;
- (2) A summary of the work undertaken compared with the work planned;
- (3) Performance of the Internal Audit Team;
- (4) A statement as to whether the work of the Audit Team complies with the PSIAS.

2.2 Assurance Opinion

- 2.2.1 The Audit Manager can provide ***reasonable assurance** that the governance, risk management and control framework remains robust. No system of control can provide absolute assurance against material misstatement or loss, therefore Internal Audit can only provide reasonable assurance. This year there was only one audit that had a less than satisfactory audit opinion. As with previous years, the number of limited assurance reports is very low, which is the key criteria on which this annual audit opinion is based. Work on the key financial systems has concluded that they continue to be well controlled.
- 2.2.2 Last year the responsibility for overseeing the risk management governance framework moved to Strategic Support. Since that time changes have been made to the Council’s Risk Management procedures. In order to be able to comment on the effectiveness of the implementation of these changes and provide assurance on the new framework, an audit review has been included in the Audit Plan for 2019/2020.
- 2.2.3 There have been no limitations or restrictions on the audit plan coverage or scope of the work undertaken that could have a negative impact on the opinion. There have been no impairments to the objectivity or independence of the Audit team.

2.3 Results of Work Undertaken to Support the Opinion

- 2.3.1 Internal Audit use the following categories for their assurance work report opinions:-

Opinion Category	Definition
Very Well Controlled	Very strong control framework with only minor control weaknesses or low levels of non compliance identified.
Well Controlled	Strong control framework with a small number of control/compliance issues identified.
Satisfactory	An adequate control framework is in place, a number of control weaknesses identified but not significant enough to cause concern.
Weak	There are a large number of control weaknesses and/or some significant control issues which are of concern.
Very Weak	The overall control framework has significant weaknesses and is not effective.

*** For context - Assurance Opinion Categories:-**

**Limited
Reasonable**

2.3.2 A summary of the outcomes of the Internal Audit team's assurance work during the year is detailed below together with the assurance opinion that was given:-

Corporate

Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
0	1	6	5	1

Schools

Very Weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
0	0	4	4	0

2.3.3 The tables include seven reports that are in the final stages of consultation, where the accuracy of the report content has been checked, so the audit opinion is not going to change.

2.3.4 The tables show that the majority of audit opinions were satisfactory or above. There was only one audit deemed to be weak, which was the review of the Use of Procurement Cards, and although it has a Council wide implication, there are relatively low values involved.

2.3.5 There were also two advisory reviews where no opinion was given, although weaknesses were identified and recommendations made, and the outcomes of these have been considered in the assurance assessment.

2.3.6 Internal Audit undertake a follow-up review in all cases where there is weak or very weak opinion, and in some cases for a satisfactory opinion. The outcome of the follow-up work completed during the year is detailed below:-

Satisfactory Follow-up	Unsatisfactory Follow-up
3	0

2.4 Details of the Key Findings for the Audit with a Weak Opinion

(1) Use of Procurement Cards

- (a) A previous audit undertaken in 2014 and followed up in 2016 identified there were a number of weaknesses in how the cards were being utilised across the Council. The current audit was requested to be included in the Audit Plan again to assess whether there has been any improvement with services following the required procedures. For

context, in 2017/18 expenditure incurred using the cards totalled £87,500.

- (b) Internal Audit found similar issues to the ones identified during the previous review with services not following the requirements of the guidance.
- (c) The main weaknesses found related to there not always being a reconciliation of expenditure incurred to the bank statements, or where a reconciliation is undertaken, it is undertaken by the cardholder and therefore there is a lack of separation of duties.
- (d) Where there was an independent bank reconciliation, the person carrying it out had physical access to the card so there was a risk of inappropriate use of the card that would not be identified.
- (e) There were some services that were completing the log of expenditure after the bank statement had been received, using the details from the statements rather than from the documents completed to support each transaction.
- (f) There was one service that was not identifying VAT on any of the purchases made using their card.
- (g) There was however, a good level of compliance regarding the documentation obtained to support each transaction, and we did not identify any inappropriate purchases.

2.6 Internal Audit Work Progress Update since the last Quarterly Report (as at the end of December)

The last Plan progress update was reported to the Governance and Ethics Committee in March, attached to this report are two appendices listing the work undertaken up until the end of the financial year, with completed work Appendix D, and work in progress at Appendix E.

2.7 Audit Team Resources and Performance

- 2.7.1 The team has a service performance indicator to achieve 80% of the audit plan. For 2018/19 the actual result was 81%. This is lower than the previous year's achievement of 85%. There were contributory factors impacting on performance, there was a trainee in the auditor post and there were periods where two posts had been vacant.
- 2.7.2 All internal audit work has been undertaken in accordance with the requirements of the PSIAS, the Core Principles of internal audit and the Code of Ethics for internal audit. Under the PSIAS there is a requirement to have an external assessment of the internal audit service every five years. The external assessment was undertaken in May last year. The outcome of which was that the Council 'generally conforms', this is the highest category of compliance (the other possible conclusions being 'partially conforms' and 'does not conform'). Recommendations included in the assessor's report were used as the basis of setting up a quality assurance improvement programme, which is a requirement under the PSIAS. The Audit

Manager will provide the Committee with an update on progress of the Improvement Programme as part of the next Audit Plan Update Report.

2.7.3 The Audit Team consists of four staff; the Audit Manager and three senior auditors. A budget pressure was agreed for this year to change the vacant auditor post to a senior auditor. A recruitment exercise has been undertaken and the new senior auditor commences in July.

2.7.4 As mentioned in previous update reports provided to the Governance and Ethics Committee, the reduction of the team over the last few years to four members of staff has resulted in a longer timeframe between audit reviews. The plan put together for 2019/2022 shows that there is a shortfall in the number of audit days available in the second and third year. If there is no change in the audit resource this will therefore result in the audit frequencies needing to be revisited and extended.

2.8 Audit Plan Actual Coverage

2.8.1 The following table shows the level of time spent in each type of audit activity compared with the planned time:-

Audit Activity	Planned Time	Actual Time (up to allocated project time budgets)
Assurance work – Corporate	458	261
Assurance Work – schools	58	76
Advisory reviews (planned and requested in year)	15	67
Plan preparation and Monitoring (corporate and schools)	30	31
External Assessment Work	5	5
Adhoc advice requests (corporate and schools)	30	38
Follow – ups	40	17
Other (support for G&E, external liaison)	16	28
Grant Work	20	21
Total Days	672	544

(These are the totals that are used to calculate the productivity percentage i.e. the 81% referred to in 2.7.1)

2.8.2 Notes to support the information in the table at point 2.8.1 above:-

- (a) The large number of unplanned days spent on advisory work was due to a number of requests being received during the year, specifically in relation to the Adult Social Care budget situation and assistance with a conflict of interest issue. The number of days spent on schools was over the planned days as a request was made to carry out a school investigation.
- (b) The Audit Manager undertook a large proportion of the unplanned work. This accounted for 43% of her time, which has had a significant impact in causing delays in audit work being reviewed/draft reports issued.
- (c) Unplanned advisory/investigatory work reduces the level of assurance work that can be undertaken in a year. The planned work not undertaken is then reviewed as part of risk assessing and preparing the new audit plan, and rescheduled into the following year where deemed appropriate.

3. Options for consideration

3.1 Not applicable, the report is for information only.

4. Proposals

4.1 To note the content of the report.

5. Conclusion

5.1 This report was produced to provide the Audit Manager's opinion on the Council's governance, risk management and control framework for 2018/19.

6. Consultation and Engagement

6.1 The Council's Section 151 Officer and Monitoring Officer.

Subject to Call-In:

No:

Report is to note only



Officer details:

Name: Julie Gillhespey
Job Title: Audit Manager
Tel No: 01635 519455
E-mail Address: julie.gillhespey@westberks.gov.uk

1) COMPLETED AUDITS

Directorate/Service	Audit Title	Date Audit finalised	Overall Opinion
Corporate	Assistance with reviewing the ASC projected budget overspend position	16/01/2019	N/A
Resources			
Finance and Property	Procurement Cards	11/02/2019	Weak
Finance and Property	Treasury Management	11/03/2019	Well Controlled
Human Resources	Apprenticeship Levy	15/02/2019	Part Well Controlled, Part Advisory
Communities			
Education Service	i-College	18/01/2019	Satisfactory
Children and Families	Turnaround Families Grant Claim work	Through-out the year	N/A Grant Claim Work
Economy and Environment			

NOTE

The overall opinion is derived from the number/significance of recommendations together with using professional judgement. The Auditor's judgement takes into account the depth of coverage of the review (which could result in more issues being identified) together with the size/complexity of the system being reviewed.

2) COMPLETED FOLLOW UPS

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Date follow up finalised</u>	<u>Overall Opinion - Report</u>	<u>Opinion - Implementation progress</u>
Communities				
Education	The Willink	28/02/2019	Weak	Satisfactory

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1) CURRENT AUDITS

Directorate – Corporate / Service	Audit Title	Current Position of Work	Audit Plan Year
Corporate	National Fraud Initiative	Commencing the next national exercise	2018/19
Corporate	Property Investment	Testing	2018/19
Resources			
Finance/Strategic Support	Business Improvement Levy	Being Reviewed	2017/18
Human Resources	Payroll	Report Being Drafted	2018/19
Commissioning	Contract Management	Testing	2018/19
Communities			
Education	Education Capital Programme	Draft Issued	2017/18
Adult Social Care	Better Care Fund	On hold – auditor left, to be re-allocated	2018/19
Adult Social Care	Purchase of Care - Residential	Ready for Review	2018/19
Children and Families	Turnaround Families Grant Claim work	Commenced	2019/20
Children and Families	Unaccompanied Asylum Seeking Children	Ready for Review	2018/19
Education Service	Theale Primary	Draft issued	2018/19
Education Service	Spurcroft Primary	Draft Issued	2018/19
Education Service	St Paul’s Primary	Draft Issued	2018/19
Education Service	Stockcross Primary	Draft issued	2018/19
Economy and Environment			
Development and Planning	S106	Draft Issued	2018/19
Development and Planning	CIL	Ready for Review	2018/19
Transport and Countryside	Public Transport	Testing	2018/19
Public Protection and Culture	Environmental Health Shared Service – Licensing	Background	2019/20

2) CURRENT ADVISORY REVIEWS/OTHER WORK

Directorate/Service	Audit Title	Current position of work
Adult Social Care	Conflict of Interest Query	Almost complete
Children and Family Service	Data Security Incident (email sent internally to incorrect recipient which had confidential data on the attachment).	Audit Manager requested by Chief Executive to review background/areas for improvement
Human Resources	Investigating a Grievance	Ongoing

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit title
Resources	
Finance and Property	Property Database
Finance and Property	Asset Management Strategy (due to the Property Team working on other corporate priorities a postponement was agreed with the HoS. The work was picked up again in February 2019).
Communities	
Economy and Environment	

Annual Governance Statement 2018/19 – Summary Report

Committee considering report:	Governance and Ethics Committee on 29 July 2019 Operations Board on 4 July 2019
Portfolio Member:	Councillor Howard Woollaston
Date Portfolio Member agreed report:	04 July 2019
Report Author:	Andy Walker
Forward Plan Ref:	GE3627

1. Purpose of the Report

- 1.1 The report sets out the Annual Governance Statement (AGS) for the Council for 2018-19.
- 1.2 This report outlines issues that Corporate Board considered should be included in the 2018-19 AGS as requiring action to resolve.

2. Recommendation

- 2.1 The Annual Governance Statement sets out actions to mitigate risks to the Council's governance arrangements, these should be considered and approved by the committee.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** The report aims to highlight any weaknesses in the Council's governance arrangements including any significant / critical risks.
- 3.6 **Property:** None
- 3.7 **Other:** None

4. Other options considered

- 4.1 None

Executive Summary

5. Introduction / Background

5.1 This report outlines the purpose of the Annual Governance Statement (AGS) and explains how the necessary assurance to support the AGS has been obtained. This should enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.

5.2 The AGS is designed to provide stakeholders of the Council with assurance that the Council has operated within the law and that the Council has met the requirements of the Accounts and Audit Regulations:

“The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control”.

5.3 A copy of the AGS for 2018-19 is attached to this report, for review, at Appendix A.

5.4 The Council relies on a number of sources of information to carry out the review of the system of internal control. These are:

- (1) Service risk registers
- (2) The Audit Manager’s annual report
- (3) Reports from external regulators, eg OFSTED, Grant Thornton (the Council’s External Auditor), the LGA (peer review process).

5.5 This evidence provides the assurance that enables the Leader and Chief Executive to sign the AGS with confidence.

5.6 The Chief Executive will be reviewing governance arrangements in 2019/20 to ensure that this aligns with the new Council Strategy.

5.7 The Annual Governance Statement was prepared by the Finance and Governance Group and reviewed by Corporate Board.

5.8 A key element of the review of the system of internal control is the identification of any weaknesses or risks in the system, along with recommendations to mitigate such issues. Then in the subsequent year further report is made on progress with implementing agreed recommendations.

5.9 The Annual Governance Statement for 2018-19 outlined the following issues of concern:

- The Council’s significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes.
- Financial management arrangements in demand led social care areas need to be strengthened to mitigate the chances of unplanned budget overspends occurring.

- Overview and governance of school funding needs to be strengthened particularly in light of a significant overspend within the High Needs Dedicated Schools Grant Block.

6. Proposal

6.1 In light of the issues raised during the year the following measures will be implemented during 2019/20:

- A review of the ASC forecast overspend position was undertaken by the Chief Executive and Audit Manager during 2018/19, and made a number of recommendations to strengthen the financial management arrangements within ASC and across the Council. These recommendations are being implemented according to an agreed plan and will be closely monitored for their effectiveness.
- Regular reporting of School DSG funding performance to be embedded within existing financial performance arrangements.

7. Conclusion

7.1 A key function of the Governance and Ethics Committee is to review and approve the AGS for 2018-19 prior to it being signed off by the Chief Executive and Leader of the Council.

7.2 In order to be able to review the AGS the Committee needs to examine the evidence, noted in 5.4, above, that supports the AGS. This evidence is presented in separate reports.

8. Appendices

Appendix B – Annual Governance Statement 2018/19

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Annual Governance Statement

1 Scope of responsibility

- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 West Berkshire Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- 1.4 This statement explains how West Berkshire Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations.

2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which West Berkshire Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables West Berkshire Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2019 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

- 3.1 The key elements of the systems and processes that comprise West Berkshire Council's governance arrangements are set out below and include arrangements for:
 - Identifying and communicating West Berkshire Council's Strategy that sets out its purpose and intended outcomes for citizens and service users;
 - Reviewing West Berkshire Council's Strategy and its implications for West Berkshire Council's governance arrangements;

- Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's Strategy and ensuring that they represent the best use of resources;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- Consultation on the budget and proposed budget reductions which affect service users are planned in good time and adhere to the Council's own consultation policy. As part of any consultation on the budget the Council is cognisant of the "Gunning" principles that require the Council to consult at the formative stage which would mean potential options being available for the residents to comment on. Clearly as the Council's budget reduces and the pressure on further reductions increases this approach becomes more difficult. However, where options are available the Council will seek the views of the residents. The Council will also continue to ensure that the requirements of an Equality Impact Assessment are met and ask our residents how a proposed reduction in service might impact on them or others, and how any impact arising out of the proposal could be mitigated;
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, The Scheme of Delegation, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)";
- The Governance and Ethics Committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities";
- The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Conducting a regular review of the effectiveness of Internal Audit;
- Whistle blowing procedures for receiving and investigating complaints from staff or the public;
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.

4 Review of effectiveness

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

4.2 The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework, and includes:

- The work of the Finance and Governance Group reviewing the Constitution on annual basis and referring changes to the Governance and Ethics Committee and Council;
- The Risk Management framework;
- The work of the Governance and Ethics Committee;
- The work of Internal Audit;
- The work of the Overview and Scrutiny Management Commission,
- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman and external auditor Grant Thornton.
- Commissioning regular external peer reviews by the Local Government Association.

4.3 Having regard to the governance framework considered at paragraph 3.1 above, the following should be noted:

<p>Identifying and communicating West Berkshire Council’s Strategy that sets out its purpose and intended outcomes for citizens and service users</p>	<p>The Council Strategy 15-19 was reviewed and refreshed by Council in March 2018, in order to note the progress that had been made in the delivery of the priorities for improvement. This also provided clarification of any new or amended actions and projects identified to deliver against the priorities of the Strategy.</p>
<p>Reviewing West Berkshire Council’s Strategy and its implications for West Berkshire Council’s governance arrangements</p>	<p>A new Council Strategy for the period 2019 to 2023 was approved at Council on the 23rd May 2019, following public consultation and engagement.</p>
<p>Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council’s Strategy and ensuring that they represent the best use of resources</p>	<p>Quarterly reports detailing performance against targets, which are linked to the Council Strategy priorities, are considered and reviewed by Executive.</p>
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</p>	<p>The Council has a published Consultation Policy, which was last updated in January 2019.</p> <p>The Council also has a Community Panel which is a small group of residents, who are e-mailed directly when the Council has specific consultations that are relevant district wide.</p> <p>Consultation exercises are promoted through the usual media channels including the</p>

	<p>Council’s social media accounts. Individual Council Services will send targeted e-mails inviting specific users to respond to specific consultations where it is appropriate to do so.</p> <p>Consultation questionnaires are usually available online but also as hard copy if required</p>
<p>Consultation on the budget and proposed budget reductions which affect service users are planned in good time and adhere to the Council’s own consultation policy. As part of any consultation on the budget the Council is cognisant of the “Gunning” principles that require the Council to consult at the formative stage which would mean potential options being available for the residents to comment on. Clearly as the Council’s budget reduces and the pressure on further reductions increases this approach becomes more difficult. However, where options are available the Council will seek the views of the residents. The Council will also continue to ensure that the requirements of an Equality Impact Assessment are met and ask our residents how a proposed reduction in service might impact on them or others, and how any impact arising out of the proposal could be mitigated</p>	<p>The Budget Consultation ran from the 12 November until the 23rd December 2018.</p> <p>A number of proposals consulted upon were not implemented as a result of consultation feedback. It is considered that this is good evidence that the Council consults at a formative stage in the decision making process.</p> <p>As noted above, the Council has a Community Panel which are consulted on proposals which have a district wide implication. Targeted consultation will take place with service users whenever appropriate.</p>
<p>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication</p>	<p>The Articles of the Constitution summarises the roles and responsibilities of the Executive, Council, OSMC and other committees, together with the role of a number of statutory officers.</p> <p>Further detailed guidance is found in the relevant sections of the Constitution.</p>
<p>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff</p>	<p>The officers and members codes of conduct, were updated in March and December 2018 respectively, to provide updated guidance on the use of social media.</p>

<p>Reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, The Scheme of Delegation, which clearly define how decisions are taken and the processes and controls required to manage risks</p>	<p>The Constitution is regularly reviewed, with updates being made in the 2018/19 financial year to the following:</p> <ul style="list-style-type: none"> • Part 2 (Articles of the Constitution) • Part 3 (Scheme of Delegation) • Part 10 (Finance Rules of Procedure) • Part 11 (Contract Rules of Procedure) • Social Media Protocols for both Officers and Members as set out in Part 13 (Codes & Protocols)
<p>Ensuring the authority’s financial management arrangements conform with the governance requirements of the CIPFA Statement on “The Role of the Chief Financial Officer in Local Government (2010)”</p>	<p>The Council’s financial management arrangements are regularly reviewed by the Finance and Governance Group to ensure compliance with this CIPFA Statement.</p>
<p>The Governance and Ethics Committee which performs the core functions of an audit committee, as identified in CIPFA’s “Audit Committees – Practical Guidance for Local Authorities”</p>	<p>The Terms of Reference covering the ‘Audit Committee’ responsibilities of the Governance and Ethics Committee were set up to meet the requirements of the CIPFA good practice guidance.</p> <p>It is good practice to review the actual effectiveness of an Audit Committee, this has been scheduled in for this financial year.</p>
<p>The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful</p>	<p>The Finance and Governance Group meets on a monthly basis and is chaired by the Council’s s151 Officer.</p>
<p>Conducting a regular review of the effectiveness of Internal Audit</p>	<p>Internal Audit were subject to an external assessment during 2018 as required by the Public Sector Internal Audit Standards (PSIAS). The conclusion of that review was that Internal Audit ‘generally conforms’ with the PSIAS requirements, which is the highest compliance category used for this assessment.</p>
<p>Whistle blowing procedures for receiving and investigating complaints from staff or the public</p>	<p>The Council has policies in place, which are currently being reviewed by the Council’s Audit Manager to ensure that they remain fit for purpose.</p>

<p>Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.</p>	<p>The Member Induction and Development Plan was approved by Council in December 2018. This recognised the fact that the elections in May 2019 may result in the election of members who were new to West Berkshire Council.</p> <p>The training needs and development of senior officers is dealt with via the appraisal system.</p>
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- 4.4 The s151 Officer is required to report to all the local authority's Members, in consultation with the Head of Paid Service and the Monitoring Officer if there is, or there is likely to be, unlawful expenditure or an unbalanced budget. Such a report known as a Section 114 report derives from the Local Government Finance Act 1998 as updated by the 2000 Act and Members of the Council are required to have regard to the s151 Officer's advice. Not to do so would be a breach of the Code of Conduct for Members.
- 4.4 Overall it is the s151 Officer's assessment that all parts of the Council acts in accordance with the budgetary and policy requirements in connection with the setting of the budget and meets financial administration standards as set out in legislation. There have been no formal reports required by the s151 Officer to Council under the relevant legislation.
- 4.5 Section 5 of the Local Government and Housing Act 1989 requires the Monitoring Officer to prepare a formal report to full Council where it appears that the Council, a committee or an Officer has acted or is likely to act illegally, or in a manner such as to constitute maladministration or injustice. The Monitoring Officer's role in essence is to ensure the legality of local governance arrangements based upon statutory requirements and guidance from Government and other outside bodies.
- 4.6 The Monitoring Officer's view of the Council's governance arrangements are that they are robust and effective. The governance of the Council through the systematic review of the Constitution and the relatively low level of complaints against district councillors indicates that there is little that needs attention if the current arrangements are followed. There has been no necessity for the Monitoring Officer to report formally to Council under Section 5 of the 1989 Act.
- 4.7 Ethical matters are managed by the Governance and Ethics Committee.
- 4.8 The Chief Executive will be reviewing governance arrangements in 2019/20 to ensure that this aligns with the new Council Strategy.

5 Significant governance issues identified in the AGS for 2017/18

- 5.1 The following is an outline of the significant governance issues that were identified in preparing the 2017/18 AGS.

- The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will require effective governance arrangements around proposed changes.
- Council's preparation for General Data Protection Regulations (GDPR) coming into force on 25th May 2018.
- Planned regular review of Council's constitution to ensure effective governance arrangements. This included an overhaul of Council's Scheme of Delegation and a stronger Contract Rules of Procedure and a supporting governance framework, together with changes to the Officers Code of Conduct.

5.2 The following measures were implemented during 2018/19:

- GDPR was successfully implemented by the deadline.
- Council's constitution was reviewed by Finance and Governance Group in accordance with the agreed plan.

6 Significant Governance Issues identified in 2018/19

6.1 The following is an outline of the significant governance issues identified in 2018/19.

- The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes.
- Financial management arrangements in demand led social care areas need to be strengthened to mitigate the chances of unplanned budget overspends occurring.
- Overview and governance of school funding needs to be strengthened particularly in light of a significant overspend within the High Needs Dedicated Schools Grant Block.

6.2 The following measures will be implemented during 2019/20:

- A review of the ASC forecast overspend position was undertaken by the Chief Executive and Audit Manager during 2018/19, and made a number of recommendations to strengthen the financial management arrangements within ASC and across the Council. These recommendations are being implemented according to an agreed plan and will be closely monitored for their effectiveness.
- Regular reporting of School DSG funding performance to be embedded within existing financial performance arrangements.

Signed:

Nick Carter – Chief Executive

Lynne Doherty – Leader of the Council

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2018-19 Draft Financial Statements - Summary Report

Committee considering report: Governance and Ethics Committee

Date of Committee: 29 July 2019

Portfolio Member: Councillor Jeff Cant

Date Portfolio Member agreed report: 01 July 2019

Report Author: Shannon Coleman-Slaughter

Forward Plan Ref: GE3624

1. Purpose of the Report

- 1.1 The purpose of this report is provide Members with a draft copy of the Council's Financial Statements for financial year 2018/19.
- 1.2 The financial statements are due to be audited by the Council's External Auditors Grant Thornton in July 2019. Post the external audit, finalised financial statements will be made available alongside the ISA260 report from Grant Thornton detailing their opinion on the Financial Statements, Value for Money and any recommendations they propose.

2. Recommendation

- 2.1 Not applicable

3. Implications

- 3.1 **Financial:** N/a
- 3.2 **Policy:** N/a
- 3.3 **Personnel:** N/a
- 3.4 **Legal:** N/a
- 3.5 **Risk Management:** N/a
- 3.6 **Property:** N/a
- 3.7 **Other:** N/a

4. Other options considered

- 4.1 None

Executive Summary

5. Introduction / Background

- 5.1 The draft financial statements for 2018/19 have been produced and are accessible to the public for review in accordance with Local Audit and Accountability Act 2014 on the Council's webpage.
- 5.2 For financial year 2018-19 the Council is required to comply with two new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts when producing the Financial Statements.
- 5.3 IFRS 9 Financial Instruments which is effective for annual reporting periods beginning on or after 1 January 2018 with early application permitted. IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items.
- 5.4 IFRS 15 Revenue from Contracts which is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer

6. Proposal

- 6.1 To note the report

7. Conclusions

- 7.1 In accordance with the Council's Investment and Borrowing Strategy, all the financial assets currently held by the Council are in the form of cash invested with banks, building societies and money market funds. At end of March 2019, these consisted of £8.3 million held in instant access accounts which pay variable rates of interest and £26 million in fixed term deposits with building societies at fixed rates of interest.
- 7.2 IFRS 9 states that type (i) financial assets should be shown in the Council's accounts at their "Amortised Cost". This means the original sum invested less any depreciation in the value of the investment. As all the Council's investments are either in instant access accounts or for fixed periods of less than 12 months, it is not necessary to depreciate the value of any of our investments. All the Council's investments can therefore be shown in the 2018/19 statement of accounts 2018/19 at the value of the sum invested i.e. £34.3million. Under the requirements of IFRS 9 a transition note has been included in the financial statements.
- 7.3 From a review of the implications of IFRS 15 for the Council it has been determined and agreed with the External Auditors that any impact would not be material, therefore no adjustments have been made within the financial statements.

8. Appendices

- 8.1 Appendix A – Data Protection Impact Assessment
- 8.2 Appendix B – Equalities Impact Assessment

- 8.3 Appendix C – Impact of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts on the financial statements
- 8.4 Appendix D – Draft Financial Statements 2018-19 (*To Follow*)

Appendix A

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Finance & Property
Team:	Accountancy
Lead Officer:	Andy Walker
Title of Project/System:	Financial Statements
Date of Assessment:	12.6.19

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
<p>Will you be processing SENSITIVE or “special category” personal data?</p> <p>Note – sensitive personal data is described as “<i>data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation</i>”</p>	<input type="checkbox"/>	X
<p>Will you be processing data on a large scale?</p> <p>Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both</p>	<input type="checkbox"/>	X
<p>Will your project or system have a “social media” dimension?</p> <p>Note – will it have an interactive element which allows users to communicate directly with one another?</p>	<input type="checkbox"/>	X
<p>Will any decisions be automated?</p> <p>Note – does your system or process involve circumstances where an individual’s input is “scored” or assessed without intervention/review/checking by a human being? Will there be any “profiling” of data subjects?</p>	<input type="checkbox"/>	X
<p>Will your project/system involve CCTV or monitoring of an area accessible to the public?</p>	<input type="checkbox"/>	X
<p>Will you be using the data you collect to match or cross-reference against another existing set of data?</p>	<input type="checkbox"/>	X
<p>Will you be using any novel, or technologically advanced systems or processes?</p> <p>Note – this could include biometrics, “internet of things” connectivity or anything that is currently not widely utilised</p>	<input type="checkbox"/>	X

If you answer “Yes” to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two](#). If you are unsure, please consult with the Information Management Officer before proceeding.

Appendix B

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; This includes the need to:**
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	To note the report
Summary of relevant legislation:	Audit legislation
Does the proposed decision conflict with any of the Council's key strategy priorities?	No
Name of assessor:	Andy Walker
Date of assessment:	12.6.19

Is this a:		Is this:	
Policy	No	New or proposed	No
Strategy	No	Already exists and is being reviewed	No
Function	No	Is changing	No
Service	No		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	To note the draft financial statements and changes to relevant IFRS
Objectives:	As above
Outcomes:	As above
Benefits:	As above

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.		
(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
Age	Not applicable	Not applicable
Disability	Not applicable	Not applicable
Gender Reassignment	Not applicable	Not applicable

Marriage and Civil Partnership	Not applicable	Not applicable
Pregnancy and Maternity	Not applicable	Not applicable
Race	Not applicable	Not applicable
Religion or Belief	Not applicable	Not applicable
Sex	Not applicable	Not applicable
Sexual Orientation	Not applicable	Not applicable
Further Comments relating to the item:		
No		

3 Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer:	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

4 Identify next steps as appropriate:	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	

Name: Andy Walker

Date: 12.6.19

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.

2018-19 Draft Financial Statements – IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts

1. Introduction/Background

- 1.1 For financial year 2018-19 the Council is required to comply with two new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts.

2. IFRS 9 Financial Instruments

- 2.1 IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018 with early application permitted.
- 2.2 IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items.
- 2.3 IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.
- 2.4 In summary IFRS states that financial assets must be classified as either:
- (1) Assets which are held for the purposes of receiving income on specified dates, in the form of repayment of the principal amount and interest earned on the sum invested;
 - (2) Assets which are held for the purpose of either receiving income from payment of principal and interest or sale of the asset to another organisation with a view to making a profit on the sale (e.g. share capital or bonds);
 - (3) Any other type of financial assets.

3. IFRS 15 Revenue from Contracts

- 3.1 IFRS 15 is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.
- 3.2 IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

- 3.3 To recognise revenue under IFRS 15, an entity is required to apply the following five steps:
- (1) Identify the contract(s) with a customer.
 - (2) Identify the performance obligations in the contract, i.e. transfer of goods or services that are distinct.
 - (3) Determine the transaction price, i.e. the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to then customer. If a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
 - (4) Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service identified in the contract.
 - (5) Recognise revenue when a performance obligation is satisfied by transferring a distinct good or service to the customer. For a performance obligation satisfied over time the entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

4. Options for Consideration

- 4.1 None

5. Proposals

- 5.1 To note the report

6. Conclusion

- 6.1 In accordance with the Council's Investment and Borrowing Strategy, all the financial assets currently held by the Council are in the form of cash invested with banks, building societies and money market funds. At end of March 2019, these consisted of £8.3 million held in instant access accounts which pay variable rates of interest and £26 million in fixed term deposits with building societies at fixed rates of interest.
- 6.2 All of the Council's financial assets therefore can be classified as type (1) as shown in paragraph 2.4 (above). The Council does not currently hold any type (2) or type (3) financial assets.
- 6.3 IFRS 9 states that type (i) financial assets should be shown in the Council's accounts at their "Amortised Cost". This means the original sum invested less any depreciation in the value of the investment. As all the Council's investments are either in instant access accounts or for fixed periods of less than 12 months, it is not necessary to depreciate the value of any of our investments. All the Council's investments can therefore be shown in the 2018/19 statement of accounts 2018/19

at the value of the sum invested i.e. £34.3million. Under the requirements of IFRS 9 an additional transition note has been included in the financial statements.

- 6.4 From a review of the implications of IFRS 15 for the Council it has been determined and agreed with the External Auditors that any impact would not be material, therefore no adjustments have been made within the financial statements.

7. Consultation and Engagement

- 7.1 Andy Walker – Head of Finance & Property

Background Papers: None

Subject to Call-In:

Yes: No: X

Report is to note only

X

Wards affected:

None

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

X MEC – Become an even more effective Council

The proposals contained in this report will help to achieve the following Council Strategy priority:

X MEC1 – Become an even more effective Council

Officer details:

Name: Andy Walker
Job Title: Head of Finance & Property
Tel No: 01635 519433
E-mail Address: andy.walker@westberks.gov.uk

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Financial Year 2018/19 Going Concern Assessment

Committee considering report:	Governance and Ethics Committee
Date of Committee:	29 July 2019
Portfolio Member:	Councillor Jeff Cant
Date Portfolio Member agreed report:	05 June 2019
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	GE3781

1. Purpose of the Report

- 1.1 As a result of the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of one or more councils as a consequence, External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2018/19.

2. Recommendation

- 2.1 A detailed review of the Earmarked Reserves is undertaken to ensure financial provision aligns to key strategic financial risks identified via our internal governance processes. Future proofing our General Fund Reserve position, in accordance with criteria set by the s151 Officer in conjunction with External Audit.

3. Implications

- | | | |
|-----|-------------------------|---|
| 3.1 | Financial: | Based on the review undertaken, there is no imminent risk to the going concern assertion. |
| 3.2 | Policy: | N/a |
| 3.3 | Personnel: | N/a |
| 3.4 | Legal: | N/a |
| 3.5 | Risk Management: | N/a |
| 3.6 | Property: | N/a |
| 3.7 | Other: | N/a |

4. Other options considered

- 4.1 None.

Executive Summary

5. Introduction / Background

- 5.1 The Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.
- 5.2 As requested by External Audit, a going concern assessment has been completed. In order to complete the assessment the following areas were reviewed:
- (1) The Council's current financial position;
 - (2) The Council's projected financial position;
 - (3) The Council's Balance Sheet;
 - (4) The Council's cash flow;
 - (5) The Council's governance arrangements;
 - (6) The regulatory and control environment applicable to the Council as a local authority.

6. Proposals

- 6.1 On this basis of the s151 Officer's assessment, it is proposed reporting as follows:
- (1) External Auditor: this detailed assessment document is provided as a working paper to the external auditor.
 - (2) Audit Committee: this Executive Summary is included in the covering report with the annual statement of accounts confirming the assessment has been completed and the conclusion maintains the assertion the council is a going concern.

7. Conclusion(s)

- 7.1 The Council faced a potential overspend of £3.3m in 2018/19 against a £119.4million revenue budget. The Council responded with a Council wide mitigation programme, including the use of service specific risk reserves, to arrive at a balanced outturn. The provisional outturn for the 2018/19 capital is a £8.68million underspend against a revised capital budget of £89.9million.
- 7.2 The revised Medium Term Financial Strategy (MTFS) for the three year period commencing 2019/20 identifies an annual funding gap of approximately £6million, this is at an assumed Council Tax increase of 2.99% in 2019/20 and 1.99% annually thereafter. The Council has proposed a balanced budget for 2019/20 through a £5.24million savings strategy paired with £1million of additional

commercial income from the Property Investment Strategy. The MTFS has proposed balanced budgets for 2020/21 and 2021/22 with savings targets of £6.7million and £6.3million respectively. The three year capital programme from 2019/20 to 2021/22 allocates £131million of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources.

- 7.3 The authority's net assets amounted to £12million (£40.5million as at March 2018) and were significantly reduced by the inclusion of the pension scheme liability of £311million (£317million, March 2018). In reality the Council has net usable reserves of £71million, consisting of £41.2million capital, £21.7million Earmarked, £2million working balances and £6.1million General Fund (£60.4million, March 2018).
- 7.4 With regard to cash flow, as at the 31 March 2019 the Council held £34million of investments (£24million, March 2018). Of this sum 24% was held in highly liquid investments. At March 2019 the PWLB loans balance increased to £200.4million, via funding investment in operational assets (£6million), and supporting the Property Investment Strategy (£40.1million), offset by £5.4million of loan repayments. Total debt at 31st March 2019 was £222.6million, inclusive of £13.7million of funding embedded in the Waste PFI.
- 7.5 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The governance framework was in place at the Council for the year ended 31 March 2019 and for the year commencing 1 April 2019. The review process is outlined in the Annual Governance Statement, which as at 2018/19 was deemed fit for purpose and is reviewed as part of the control framework in 2019/20.
- 7.6 Having considered the assessment above and the overall financial strength of the Council, it is concluded that this assessment does not contain an imminent risk to the going concern assertion.

8. Appendices

- 8.1 Appendix A – Data Protection Impact Assessment
- 8.2 Appendix B – Equalities Impact Assessment
- 8.3 Appendix C – Supporting Information

Appendix A

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Finance & Property
Team:	Accountancy
Lead Officer:	Andy Walker
Title of Project/System:	Financial Accounting
Date of Assessment:	28.5.19

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
<p>Will you be processing SENSITIVE or “special category” personal data?</p> <p>Note – sensitive personal data is described as “<i>data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation</i>”</p>	<input type="checkbox"/>	X
<p>Will you be processing data on a large scale?</p> <p>Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both</p>	<input type="checkbox"/>	X
<p>Will your project or system have a “social media” dimension?</p> <p>Note – will it have an interactive element which allows users to communicate directly with one another?</p>	<input type="checkbox"/>	X
<p>Will any decisions be automated?</p> <p>Note – does your system or process involve circumstances where an individual’s input is “scored” or assessed without intervention/review/checking by a human being? Will there be any “profiling” of data subjects?</p>	<input type="checkbox"/>	X
<p>Will your project/system involve CCTV or monitoring of an area accessible to the public?</p>	<input type="checkbox"/>	X
<p>Will you be using the data you collect to match or cross-reference against another existing set of data?</p>	<input type="checkbox"/>	X
<p>Will you be using any novel, or technologically advanced systems or processes?</p> <p>Note – this could include biometrics, “internet of things” connectivity or anything that is currently not widely utilised</p>	<input type="checkbox"/>	X

If you answer “Yes” to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two](#). If you are unsure, please consult with the Information Management Officer before proceeding.

Appendix B

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; This includes the need to:**
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	To note report
Summary of relevant legislation:	Paragraphs 4 & 6 ISA (UK) 570
Does the proposed decision conflict with any of the Council’s key strategy priorities?	no
Name of assessor:	Andy Walker
Date of assessment:	28.5.19

Is this a:		Is this:	
Policy	No	New or proposed	No
Strategy	No	Already exists and is being reviewed	No
Function	No	Is changing	No
Service	No		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	To provide assurance to External Audit
Objectives:	To provide assurance to External Audit
Outcomes:	As above
Benefits:	As above

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
Age	N/a	N/a
Disability	N/a	N/a
Gender Reassignment	N/a	N/a
Marriage and Civil	N/a	N/a

Partnership		
Pregnancy and Maternity	N/a	N/a
Race	N/a	N/a
Religion or Belief	N/a	N/a
Sex	N/a	N/a
Sexual Orientation	N/a	N/a
Further Comments relating to the item:		
N/a		

3 Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer:	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered ‘yes’ to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

4 Identify next steps as appropriate:	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	

Name: Andy Walker

Date: 28.5.19

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.

Financial Year 2018/19 Going Concern Assessment – Supporting Information

1. Introduction/Background

- 1.1 As a result of the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of one or more councils as a consequence, External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2018/19.

2. Guidance from External Auditor (Grant Thornton)

- 2.1 Paragraphs 4 and 6 of ISA (UK) 570 states the following:

4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of financial statements, as discussed in paragraph 2, the preparation of the financial statements requires management to assess the entity's ability to continue as a going concern even if the financial framework does not include an explicit requirement to do so.

6. The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a 'going concern'.

3. Management Assessment

- 3.1 The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

3.2 Where the ‘going concern’ concept is not the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

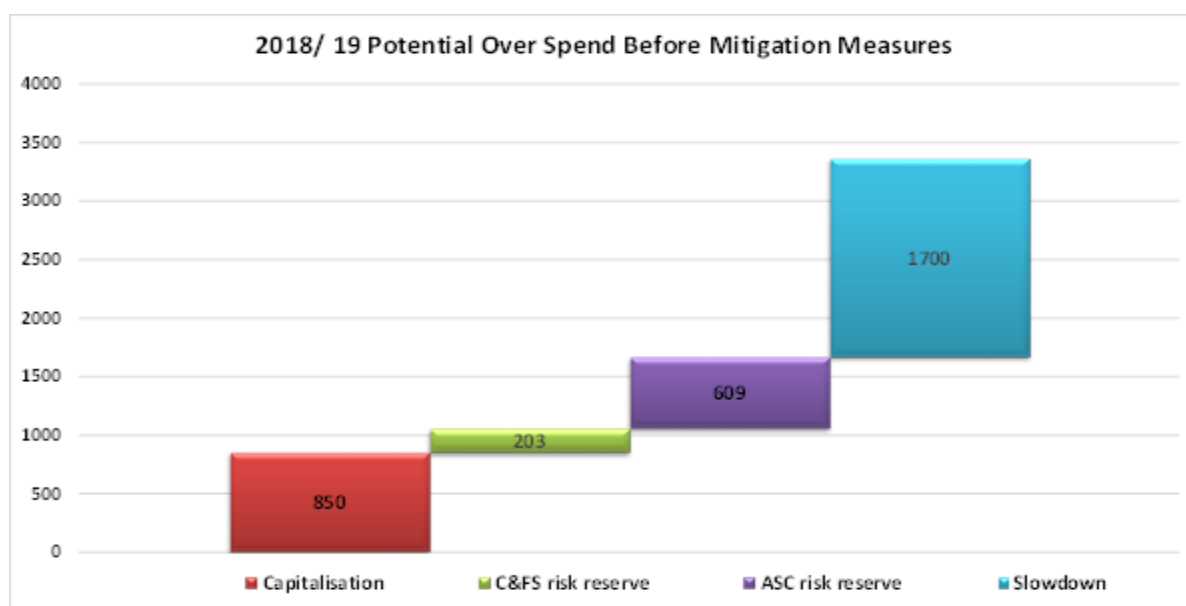
3.3 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council’s Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

3.4 The main factors which underpin this assessment are:

- (1) The Council’s current financial position;
- (2) The Council’s projected financial position;
- (3) The Council’s Balance Sheet;
- (4) The Council’s cash flow;
- (5) The Council’s governance arrangements;
- (6) The regulatory and control environment applicable to the Council as a local authority.

4. The Council’s Current Financial Position

4.1 The Council faced a potential overspend of £3.3million against a net revenue budget of £119.4million in 2018/19 and responded with a Council wide mitigation programme to arrive at a balanced outturn. The following graph provides a breakdown of the potential 2018/19 overspend and mitigation measures.



- 4.2 £500k of unutilised risk management budget provision has been returned to reserves as part of the 2018/19 yearend process. A further £81k was returned to the General Fund at the yearend. The outturn position will be reported to Executive in June 2019.
- 4.3 The General Fund Reserve balance as at 31 March 2018 was £6.07million. At outturn the General Fund Reserve has increased by £81k as at 31 March 2019. The Council has set a balanced budget for 2019/20 with an increased General Fund Reserve of £6.55million, equivalent to 5% of the Council's net revenue expenditure budget for 2019/20 in accordance with the minimum balance requirement, as set by the s151 Officer (Head of Finance and Property).
- 4.4 A formal review of reserves and key financial risks is undertaken as part of the annual budget setting process. Assessment of key financial risks includes allowances for significant risks such as business rates volatility, and demand sensitivity of key services. Service specific risk reserves have been established, the levels of these reserves are informed by the level of risks detailed in individual service risk registers.
- 4.5 The Earmarked Reserves balance was £11.37million at 31st March 2018, at 31 March 2019 the balance had increased to £21.7million. £1.6million of reserves have been earmarked specifically to support risks identified by services (agreed by Budget Board on 25th April 2019).
- 4.6 The Council has set a balanced budget for 2019/20, inclusive of £6.24million of savings, of which £5.24million relate to transformation and £1million of income from commercial investments.
- 4.7 In October 2016, West Berkshire Council accepted the Government's offer of a four year funding settlement from 2016/17 to 2019/20. Whilst this settlement committed the Council to a continued reduction in the Revenue Support Grant (RSG), it has provided some financial certainty on which the Council has planned ahead and built other sources of income. The Medium Term Financial Strategy (MTFS), incorporates the following key assumptions:
- (1) The Council forms part of the 75% business Rates Retention pilot, generating approximately £1.75million of additional funding annually. £24million of the £86million collected is retained by locally post payment of 25% to central government and a further 48% tariff.
 - (2) Negative revenue Support Grant (RSG) has been eliminated, generating a £1.8million benefit. Negative RSG is the name given to a downward adjustment of a local authority's business rates tariff, as a consequence of changes to distribution methodology adopted in 2016/17.
 - (3) The Council raised Council Tax by 2% in 2016/17 and 2017/18 and then by 3% in 2018/19, when government raised the threshold. These increases when added to tax base growth now generate an additional £10m per year. Authorities have been given the opportunity to raise an Adult Social Care (ASC) Precept on Council Tax above the existing threshold with funds ring-fenced to pay for adult social care. The Council applied a 2% precept in 2016/17, and 3% in 2017/18 and

2018/19. This now funds £7.3m per year to support adult social care needs in the district. The MTFS is built on a 2.99% Council Tax increase in 2019/20 and a 1.99% increase thereafter, tax base growth of 0.2% in 2019/20 and 0.75% thereafter, and a collection rate of 99.6%.

- (4) In future years, once fully invested the Property Investment portfolio of £100million is projected to generate a £2million contribution to the revenue budget, which is equivalent to 2% Council Tax.

4.8 The assumptions underpinning the MTFS are kept under regular review to ensure forecasts remain robust.

5. The Council's Projected Financial Position – Revenue

5.1 The revised MTFS for the three year period commencing 2019/20 identifies an annual funding gap of approximately £6million, this is at an assumed Council Tax increase of 2.99% in 2019/20 and 1.99% annually thereafter.

5.2 The Council has proposed a balanced budget for 2019/20 through a £5.24million savings strategy paired with £1million of additional commercial income from the Property Investment Strategy. The MTFS has proposed balanced budgets for 2020/21 and 2021/22 with savings targets of £6.7million and £6.3million respectively. The Council has undertaken a prudent approach to budget setting, basing the funding gap on a 1.99% annual Council tax rise from 2020/21. Any additional 1% increase in Council tax above current assumptions is the equivalent of approximately £900k. £1.6million of one off additional social care funding from central government has been factored into the budget for 2019/20. Provision for receipt of additional funding to support social care pressures has not been factored into the 2020/21 and 2021/22 budgets.

5.3 The 2019/20 budget is supported through the £6.55million General Fund Reserve and Earmarked reserves of £10.58million supporting key risk areas. Earmarked reserves are reviewed as part of the annual budget setting process.

6. The Council's Projected Financial Position – Capital

6.1 The provisional outturn for the 2018/19 capital is a £8.68million underspend against a revised capital budget of £89.9million.

6.2 The three year capital programme from 2019/20 to 2021/22 allocates £131million of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources. £68million of Council funding has been allocated to the programme, sourced from a combination of prudential borrowing and anticipated capital receipts.

6.3 The £68million Council funded expenditure is split between £33million to fund investment in operational assets and £35million to fund the Property Investment Strategy. Operational assets are funded from borrowing financed through the Council's revenue budget for capital financing, a £500k additional annual increase in the revenue capital financing budget has been built into the MTFS.

6.4 The Council has agreed to invest significant sums to support the Property Investment Strategy (£35million over the programme period). The cost of borrowing

to support investment in commercial property is expected to be met from rental income from the portfolio. Governance and reporting arrangements have been structured in response to the guidance issued by the MHCLG (February 2018) and CIPFA's Prudential Code for Local Authority finance which underpins the Council's Capital Strategy and the Investment Borrowing Strategy.

6.5 As at 31 March 2018 the Council held usable capital reserves of £40million. Current usable balances are £41.2million.

7. The Council's Balance Sheet as at 31 March 2019

7.1 The robustness of the Council's balance sheet for 2018/19 will be reassessed on completion of the draft financial statements and reported to Executive in June 2019. Factors giving included in the assessment:

- (1) Review of debts owed to the Council;
- (2) An assessment of the Council's net worth;
- (3) The adequacy of risk-assessed provisions for doubtful debts and other potential costs;
- (4) The range of reserves set aside to help manage expenditure (reported under current revenue position);
- (5) An adequate risk-assessed working balance to meet unforeseen expenditure (reported under current revenue position).

7.2 The authority's net assets amounted to £12million (£40.5million as at March 2018) and were significantly reduced by the inclusion of the pension scheme liability of £311million (£317million, March 2018). Contributions to the pension scheme have been increasing to meet this liability over the long term. In reality the Council has net usable reserves of £71million, consisting of £41.2million capital, £21.7million, Earmarked, £2million working balances and £6.1million General Fund (£60.4million, March 2018).

8. The Council's Cash Flow

8.1 The Council maintains short and long term cash flow projections. The Council maintains long term borrowing commitments to support the capital programme and the Property Investment Strategy. Borrowing is predominately undertaken from the Public Works and Loans Board (PWLB).

8.2 As at the 31 March 2019 the Council held £34million of investments (£24million, March 2018). Of this sum 24% was held in highly liquid investments (i.e. in instant access bank deposit accounts or money market funds). None of sum was invested for more than 364 days. The balance held in short term liquid investments and for working capital cash flow is maintained in line with the Investment Borrowing Strategy.

8.3 At March 2019 the PWLB loans balance increased to £200.4million, via funding investment in operational assets (£6million), and supporting the Property Investment Strategy (£40.1million), offset by £5.4million of loan repayments. Total debt at 31st March 2019 was £222.6million, inclusive of £13.7million of funding embedded in the Waste PFI.

- 8.4 In respect of the agreed £100million Investment Property Strategy, at 31st March 2018 £22million was invested, £42.8million was invested by the end of March 2019 and the remaining £35million to be borrowed and invested in 2019/20. Property Investment Strategy borrowing is undertaken on the assumption that once fully invested the yield on investments will cover the costs of borrowing and produce surplus returns to support the revenue budget. Surplus returns are projected by 2020/21 to produce an annual £2million contribution to the revenue budget.
- 8.5 The current operational boundary for long term debt is set at £273million with an authorised limit set £10million higher to allow for any unforeseen borrowing needs. The current limits are not proposed to be changed for 2019/20, but are expected to increase by £3million in 2020/21 and £2million in 2021/22.

9. The Council's Governance Arrangements

- 9.1 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- 9.2 The governance framework comprises the systems and processes, and culture and values, by the Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 9.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 9.4 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within West Berkshire Council who have responsibility for the development and maintenance of the governance environment.
- 9.5 The governance framework was in place at the Council for the year ended 31 March 2019 and for the year commencing 1 April 2019. The review process is outlined in the Annual Governance Statement, which as at 2018/19 was deemed fit for purpose and is reviewed as part of the control framework in 2019/20.

10. The External Regulatory and Control Environment

- 1.1 The Council operates within a highly legislated and controlled environment. The Council is required to set a balanced budget each year combined, taking into account robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in

some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

11. Options for Consideration

- 11.1 A detailed review of the Earmarked Reserves is undertaken to ensure financial provision aligns to key strategic financial risks identified via our internal governance processes. Future proofing our General Fund Reserve position, in accordance with criteria set by the s151 Officer in conjunction with External Audit.

12. Proposals

- 12.1 On this basis of the s151 Officer's assessment, it is proposed reporting as follows:
- (1) External Auditor: this detailed assessment document is provided as a working paper to the external auditor.
 - (2) Audit Committee: this Executive Summary is included in the covering report with the annual statement of accounts confirming the assessment has been completed and the conclusion maintains the assertion the council is a going concern.

13. Conclusion of the S151 Officer

- 13.1 The assessment has been undertaken by the S151 Officer. Having considered the assessment above and the overall financial strength of the Council, it is proposed this assessment does not contain an imminent risk to the going concern assertion.

14. Officer consulted

Andy Walker – Head of Finance & Property

Background Papers: None

Subject to Call-In:

Yes: No: X

Report is to note only

X

Wards affected:

All

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

X MEC – Become an even more effective Council

The proposals contained in this report will help to achieve the following Council Strategy priority:

X MEC1 – Become an even more effective Council

Officer details:

Name: Andy Walker
Job Title: Head of Finance & Property
Tel No: 01635 519433
E-mail Address: andy.walker@westberks.gov.uk

External Audit Fee 2019-20

Committee considering report:	Governance and Ethics Committee
Date of Committee:	29.7.19
Portfolio Member:	Councillor Jeff Cant
Date Portfolio Member agreed report:	01 July 2019
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	GE3624a

1. Purpose of the Report

- 1.1 To present to members the Audit Fee Letter for 2019/20 from Grant Thornton. The letter sets out the fee for the audit in line with the prescribed scale fee set by the Public Sector Audit Appointments Ltd (PSAA). The Governance and Ethics committee agreed previously that the Council should become a member of the PSAA, who now appoint our auditors. The Council's scale fee for 2019/20 has been set by PSAA at £74,423 which is the same as in 2018/19.

2. Recommendation(s)

- 2.1 To note the audit fee of £74,423 for financial year 2019-20.

3. Implications

- | | | |
|-----|-------------------------|------|
| 3.1 | Financial: | None |
| 3.2 | Policy: | None |
| 3.3 | Personnel: | None |
| 3.4 | Legal: | None |
| 3.5 | Risk Management: | None |
| 3.6 | Property: | None |
| 3.7 | Other: | None |

4. Other options considered

- 4.1 Not applicable.

Executive Summary

5. Introduction / Background

- 5.1 The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19. Grant Thornton are the Council's appointed external auditors from financial year 2018-19 for five years.
- 5.2 Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. The Audit of the annual accounts for financial year 2019/20 will be undertaken under this Code.

6. Proposal

- 6.1 To note the audit fee for financial year 2019-20.

7. Conclusions

- 7.1 Grant Thornton are required to provide a planned audit fee letter for the current year (2019-20) to the Council's Governance and Ethics committee. The 2019-20 fee of £74,423 covers:
- (1) The audit of the annual financial statements;
 - (2) work to reach a value for money conclusion on use of resources; and
 - (3) review of the whole government accounts return (WGA).
- 7.2 The schedule of works and billing is included in the letter from Grant Thornton attached in Appendix C.

8. Appendices

- 8.1 Appendix A – Data Protection Impact Assessment
- 8.2 Appendix B – Equalities Impact Assessment
- 8.3 Appendix C – Audit Fee Letter from Grant Thornton

Appendix A

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Finance & Property
Team:	Accountancy
Lead Officer:	Andy Walker
Title of Project/System:	External Audit of the financial statements
Date of Assessment:	28.5.19

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
<p>Will you be processing SENSITIVE or “special category” personal data?</p> <p>Note – sensitive personal data is described as “data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation”</p>	<input type="checkbox"/>	X
<p>Will you be processing data on a large scale?</p> <p>Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both</p>	<input type="checkbox"/>	X
<p>Will your project or system have a “social media” dimension?</p> <p>Note – will it have an interactive element which allows users to communicate directly with one another?</p>	<input type="checkbox"/>	X
<p>Will any decisions be automated?</p> <p>Note – does your system or process involve circumstances where an individual’s input is “scored” or assessed without intervention/review/checking by a human being? Will there be any “profiling” of data subjects?</p>	<input type="checkbox"/>	X
<p>Will your project/system involve CCTV or monitoring of an area accessible to the public?</p>	<input type="checkbox"/>	X
<p>Will you be using the data you collect to match or cross-reference against another existing set of data?</p>	<input type="checkbox"/>	X
<p>Will you be using any novel, or technologically advanced systems or processes?</p> <p>Note – this could include biometrics, “internet of things” connectivity or anything that is currently not widely utilised</p>	<input type="checkbox"/>	X

If you answer “Yes” to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two](#). If you are unsure, please consult with the Information Management Officer before proceeding.

Appendix B

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; This includes the need to:**
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	To note the planned audit fee for 2019-20
Summary of relevant legislation:	The code of Audit Practice
Does the proposed decision conflict with any of the Council’s key strategy priorities?	No
Name of assessor:	Andy Walker
Date of assessment:	28.5.19

Is this a:		Is this:	
Policy	No	New or proposed	No
Strategy	No	Already exists and is being reviewed	No
Function	No	Is changing	No
Service	No		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	Members to note the planned 19-20 audit fee
Objectives:	Members to note the planned 19-20 audit fee
Outcomes:	Members to note the planned 19-20 audit fee
Benefits:	Members to note the planned 19-20 audit fee

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
Age	Not applicable	Not applicable
Disability	Not applicable	Not applicable
Gender Reassignment	Not applicable	Not applicable
Marriage and Civil	Not applicable	Not applicable

Partnership		
Pregnancy and Maternity	Not applicable	Not applicable
Race	Not applicable	Not applicable
Religion or Belief	Not applicable	Not applicable
Sex	Not applicable	Not applicable
Sexual Orientation	Not applicable	Not applicable
Further Comments relating to the item:		
N/A		

3 Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer:	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered ‘yes’ to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

4 Identify next steps as appropriate:	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	

Name: Andy Walker

Date: 28.5.19

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.

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Mr Andrew Walker
Director of Finance
West Berkshire Council
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Market Street
Newbury
RG14 5LD

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

T +44 (0)117 305 7600
F +44 (0)117 955 4934

4 April 2019

Dear Andrew

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £74,423 which is the same as in 2018/19.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	18,605.75
December 2019	18,605.75
March 2020	18,605.75
June 2020	18,605.75
Total	74,423.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2020 and work on the whole of government accounts return in July 2020.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of

Phase of work	Timing	Outputs	Comments
			those charged with governance.
VfM conclusion	June to July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Engagement Lead	Barrie Morris	0117 305 7708	Barrie.morris@uk.gt.com
Engagement Manager	David Johnson	0117 305 7727	David.a.johnson@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via jon.roberts@uk.gt.com.

Yours sincerely



Barrie Morris
Engagement Lead
Grant Thornton UK LLP

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Proposals for Reviewing the Constitution – Summary Report

Committee considering report: Governance and Ethics Committee 29 July 2019

Portfolio Member: Councillor Howard Woollaston

Date Portfolio Member agreed report: 04 July 2019

Report Author: Sarah Clarke

Forward Plan Ref: GE3792

1. Purpose of the Report

1.1 To provide an outline plan for the review of the Council's Constitution.

2. Recommendations

2.1 That a cross party task group be appointed by the G&E Committee to oversee and progress this review.

2.2 It is proposed that the task group be supported by appropriate officers.

2.3 To approve the planned review and indicative timetable detailed in Appendix C.

3. Implications

3.1 **Financial:** None

3.2 **Policy:** None

3.3 **Personnel:** This project will create a pressure within Legal and Strategic Support as it is not proposed that any additional resource will be made available to undertake this review.

It is considered however that a structured review with appropriate officers can be undertaken with existing resources.

3.4 **Legal:** It is essential for the Council's good governance that the Constitution remains up to date and is fit for purpose. Although the Constitution has been subject to a programme of rolling review, it is considered that a systematic and comprehensive review is timely following the recent elections.

3.5 **Risk Management:** Ensuring that the Constitution is up to date and fit for purpose should reduce the risk of successful legal challenge on the basis of the decision making process.

3.6 **Property:** None

3.7 **Other:** None

4. Other options considered

4.1 Not reviewing the Constitution. For the reasons outlined in the report, this is not recommended.

4.2 Continuing with the existing timetabled review. For the reasons detailed in the report, this is not recommended.

Executive Summary

5. Introduction / Background

- 5.1 At the meeting of Governance and Ethics Committee which took place on the 17th June 2019, Members proposed that a systematic review of the Constitution take place over the coming year.
- 5.2 It was further proposed that a task group be set up to support this piece of work, which it was acknowledged would be a substantial undertaking.
- 5.3 Following that, a Motion was submitted to Council proposing a number of amendments to the Constitution, and those proposals will be considered as part of this review.

6. Proposals

- 6.1 It is proposed that a task group consisting of Members, to be determined by the Governance and Ethics Committee on the basis of proportionality rules, be established to oversee this project.
- 6.2 It is proposed that the task group should be supported by the Monitoring Officer (or deputy) the Democratic & Electoral Services Manager (or deputy) and where necessary, the Council's s151 Officer (or deputy).
- 6.3 Any amendments to the existing Constitution will need to be approved by Council. It is considered that any recommendations for amendments be brought forward for approval at appropriate times, rather than waiting for the full review to be completed.
- 6.4 It is proposed that the review be completed by August 2020, with final changes being approved at Council in December 2020.

7. Conclusions

- 7.1 This is a timely proposal and it is therefore recommended that the review of the Constitution be undertaken in the manner detailed in this report.

8. Appendices

- 8.1 Appendix A – Data Protection Impact Assessment
- 8.2 Appendix B – Equalities Impact Assessment
- 8.3 Appendix C – Supporting Information

Appendix A

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Legal and Strategic Support
Team:	
Lead Officer:	Sarah Clarke
Title of Project/System:	Constitution Review
Date of Assessment:	24 June 2019

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
<p>Will you be processing SENSITIVE or “special category” personal data?</p> <p>Note – sensitive personal data is described as “<i>data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation</i>”</p>	<input type="checkbox"/>	X
<p>Will you be processing data on a large scale?</p> <p>Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both</p>	<input type="checkbox"/>	X
<p>Will your project or system have a “social media” dimension?</p> <p>Note – will it have an interactive element which allows users to communicate directly with one another?</p>	<input type="checkbox"/>	X
<p>Will any decisions be automated?</p> <p>Note – does your system or process involve circumstances where an individual’s input is “scored” or assessed without intervention/review/checking by a human being? Will there be any “profiling” of data subjects?</p>	<input type="checkbox"/>	X
<p>Will your project/system involve CCTV or monitoring of an area accessible to the public?</p>	<input type="checkbox"/>	X
<p>Will you be using the data you collect to match or cross-reference against another existing set of data?</p>	<input type="checkbox"/>	X
<p>Will you be using any novel, or technologically advanced systems or processes?</p> <p>Note – this could include biometrics, “internet of things” connectivity or anything that is currently not widely utilised</p>	<input type="checkbox"/>	X

If you answer “Yes” to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two](#). If you are unsure, please consult with the Information Management Officer before proceeding.

Appendix B

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; This includes the need to:**
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Governance and Ethics Committee to make:	To approve the details of a proposed review of the Council’s Constitution
Summary of relevant legislation:	Relevant local government primary and legislation
Does the proposed decision conflict with any of the Council’s key strategy priorities?	No
Name of assessor:	Sarah Clarke
Date of assessment:	24 June 2019

Is this a:		Is this:	
Policy	No	New or proposed	No
Strategy	No	Already exists and is being reviewed	Yes
Function	Yes	Is changing	No
Service	No		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	To review the Constitution
Objectives:	To ensure that the Constitution is up to date
Outcomes:	Effective decision making
Benefits:	More effective decision making

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
Age	None – This proposal will affect all equally	
Disability	None – This proposal will affect all equally	

Gender Reassignment	None – This proposal will affect all equally	
Marriage and Civil Partnership	None – This proposal will affect all equally	
Pregnancy and Maternity	None – This proposal will affect all equally	
Race	None – This proposal will affect all equally	
Religion or Belief	None – This proposal will affect all equally	
Sex	None – This proposal will affect all equally	
Sexual Orientation	None – This proposal will affect all equally	
Further Comments relating to the item:		

3 Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer: This is a proposed review of the Constitution.	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer: This is a proposed review of the Constitution and will not adversely affect the lives of any individual.	

If your answers to question 2 have identified potential adverse impacts and you have answered ‘yes’ to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

4 Identify next steps as appropriate:	
Stage Two required	Non
Owner of Stage Two assessment:	

Timescale for Stage Two assessment:	
--	--

Name: Sarah Clarke

Date: 24 June 2019

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.

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Review of the Council's Constitution – Supporting Information

1. Introduction/Background

- 1.1 At the meeting of Governance and Ethics Committee which took place on the 17th June 2019, Members proposed that a systematic review of the Constitution take place over the coming year.
- 1.2 It was further proposed that a task group be set up to support this piece of work, which it was acknowledged would be a substantial undertaking.
- 1.3 This report is produced in response to the above proposal.

2. Supporting Information

- 2.1 The Constitution is reviewed and monitored by the Finance and Governance Group, which brings forward to Governance and Ethics Committee recommendations for updates.
- 2.2 In 2018/19, Governance and Ethics Committee recommended to Council changes to the following sections of the Constitution, which were all approved at Council:
 - (1) Part 2 (Articles of the Constitution)
 - (2) Part 3 (Scheme of Delegation)
 - (3) Part 10 (Finance Rules of Procedure)
 - (4) Part 11 (Contract Rules of Procedure)
 - (5) Social Media Protocols for both Officers and Members as set out in Part 13 (Codes & Protocols)
- 2.3 Although there are clear systems in place to monitor and review the Constitution, the process of doing so means that there are some aspects of the Constitution which are not fully aligned.
- 2.4 The Local Government Boundary Commission Review of the District concluded in April 2018. This review resulted in a reduction in the number of West Berkshire councillors reduce from 52 to 43 following the local elections in May 2019.
- 2.5 In light of the above, it is considered that Members proposal for a systematic review of the Constitution is timely.

3. Options for Consideration

- 3.1 The Constitution is comprised of 15 Parts, detailed in the table below, which also contains details of the date that each section was last reviewed.

	Title	Last Update
Part 01	Summary and Explanation	May 2019
Part 02	Articles of the Constitution	May 2019
Part 03	Scheme of Delegation	December 2018
Part 04	Council Rules of Procedure	March 2017
Part 05	Executive Rules of Procedure	May 2016
Part 06	Overview and Scrutiny Rules of Procedure	May 2017
Part 07	Regulatory and Other Committees	April 2017
Part 08	Access to Information Procedure Rules	July 2017
Part 09	Budget and Policy Framework Rules of Procedure	December 2014
Part 10	Financial Rules of Procedure	April 2019
Part 11	Contract Rules of Procedure	December 2018
Part 12	Personnel Rules of Procedure	May 2015
Part 13	Codes and Protocols	May 2019
Part 14	Members Allowance Scheme	November 2018
Part 15	Management Structure	January 2017

- 3.2 Members could review the Constitution from start to finish, beginning with Part 1 and continuing through to Part 15.
- 3.3 It is considered however that the Constitution review should be undertaken in a more considered manner, by prioritising those key Parts which have not been reviewed in some time.
- 3.4 This will also enable earlier consideration of the matters raised via a motion to Council on the 2nd July 2019.
- 3.5 It is recommended that each section of the Constitution be considered in the first instance by the Task Group, which will identify and consider proposed changes. The amended document should then be considered by the Finance and Governance Group, who will feed any comments back to the Task Group if necessary. The document showing the proposed amendments will then be brought back to G&E for their consideration.
- 3.6 All substantive changes to the Constitution will need to be approved by Council. It is considered that any recommendations for amendments be brought forward for approval by Council at appropriate times, rather than waiting for the full review to be completed. Proposals
- 3.7 It is proposed that the review should be carried out in the order detailed in the table at paragraph 4.2 below, together with an indicative timetable for undertaking the review.

3.8 Proposed Order of Review

	Title	Task Group to Review by:
Part 02	Articles of the Constitution	Sept. 2019
Part 04	Council Rules of Procedure	October 2019
Part 05	Executive Rules of Procedure	November 2019
Part 06	Overview and Scrutiny Rules of Procedure	December 2019
Part 07	Regulatory and Other Committees	January 2020
Part 08	Access to Information Procedure Rules	February 2020
Part 09	Budget and Policy Framework Rules of Procedure	February 2020
Part 12	Personnel Rules of Procedure	February 2020
Part 13	Codes and Protocols	March – April 2020
Part 03	Scheme of Delegation	May 2020
Part 10	Financial Rules of Procedure	June 2020
Part 11	Contract Rules of Procedure	June 2020
Part 01	Summary and Explanation	July 2020
Part 14	Members Allowance Scheme	July 2020
Part 15	Management Structure	August 2020

3.9 Part 13 of the Constitution containing relevant Codes and Protocols is the largest section of the Constitution and will be a significant piece of work. Consideration was given to undertaking this earlier in the process, but due to the relationship between this and other sections of the Constitution, it is considered that this section cannot be completed until later in the process.

3.10 It is proposed that Part 1 of the Constitution, which summarises what is contained within the same, should be completed at the conclusion of the process in order that it can properly reflect the refreshed Constitution.

3.11 It is proposed that the Task Group should be supported by the Monitoring Officer (or deputy) the Democratic & Electoral Services Manager (or deputy) and where necessary, the Council's s151 Officer (or deputy).

4. Conclusion

4.1 This is a timely review of the Constitution and it is hoped that this will ensure that the Constitution remains up to date and fit for purpose.

5. Consultation and Engagement

5.1 Andy Walker, Julie Gillhespey, Moira Fraser, Shiraz Sheikh and Leigh Hogan

Background Papers: Council Constitution

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

MEC – Become an even more effective Council

The proposals contained in this report will help to achieve the following Council Strategy priority:

MEC1 – Become an even more effective Council

The proposals contained in this report will help to achieve the above Council Strategy aims and priorities by ensuring effective decision making by the Council in an open and transparent manner.

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