

Notice of Meeting



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Governance Committee

Tuesday 16th April 2024 at 6.30 pm

in the Council Chamber, Council Offices,
Market Street, Newbury

Note: This meeting can be streamed live here: <https://www.westberks.gov.uk/governanceethicscommitteelive>

Date of despatch of Agenda: Monday 8 April 2024

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Sadie Owen on 01635 519052 e-mail: Sadie.Owen1@westberks.gov.uk

Further information and Minutes are also available on the Council's website at www.westberks.gov.uk

Agenda - Governance Committee to be held on Tuesday, 16 April 2024 (continued)

- To:** Councillors Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Jeremy Cottam, Laura Coyle, Billy Drummond, Owen Jeffery, David Marsh, Christopher Read, Simon Carey and David Southgate
- Substitutes:** Councillors Anne Budd, Dennis Benneyworth, Carolyne Culver, Paul Dick, Janine Lewis and Stephanie Steevenson
-

Agenda

Part I

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1	Apologies To receive apologies for inability to attend the meeting (if any).	1 - 2
2	Minutes To approve as a correct record the Minutes of the meeting of this Committee held on 29 January 2024.	3 - 6
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 .	7 - 8
4	Forward Plan Purpose: to consider the Forward Plan for the next 12 months.	9 - 10
5	Internal Audit Update Report - Quarter Three 2023/24 (G4486) Purpose: to update the Committee on the status of Internal Audit work as at the end of quarter three 2023/24.	11 - 22
6	Financial Year End 2023-24 Year End Planning Document (G4504) Purpose: to inform Members of the accounting policies to be applied in the production of the Council's 2023/24 Financial Statements. It is also to confirm any amendments to these accounting policies arising from changes in operational activities and/or the impact of any new accounting standards issued.	23 - 42



Agenda - Governance Committee to be held on Tuesday, 16 April 2024 (continued)

- 7 **External Auditor's Interim Annual Report Financial Years 2021/22 and 2022/23 (G4535)** 43 - 74
Purpose: the report provides members with the interim audit report provided by Grant Thornton in respect of financial years 2021/22 and 2022/23.
- 8 **CIPFA Financial Management Code** 75 - 96
Purpose: the Council, through its Finance & Governance Group, has reviewed a self-assessment against the CIPFA FM code for the 2023-24 financial year. This self-assessment will likely be used by the Council's external auditors as part of their Value for Money work, but it is a helpful piece of work to undertake in its own right to highlight where the Council can improve and how it compares to the CIPFA FM code.

Sarah Clarke
Service Director: Strategy and Governance

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Governance Committee – 16 April 2024

Item 1 – Apologies for absence

Verbal Item

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

GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 29 JANUARY 2024

Councillors Present: Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dennis Benneyworth (as substitute), Laura Coyle, Janine Lewis (as substitute), Christopher Read and Louise Sturgess

Also Present: Catalin Bogos (Performance Research Consultation Manager), Shannon Coleman-Slaughter (Service Lead – Financial, Reporting and Property), Julie Gillhespey (Audit Manager), Joseph Holmes (Executive Director – Resources), Ben Ryan (Democratic Services Officer)

Apologies for inability to attend the meeting: Councillor Dominic Boeck, Councillor Jeremy Cottam, Councillor Owen Jeffery, Councillor David Marsh and Simon Carey

PART I

1 Minutes

The Minutes of the meetings held on 13 and 20 November 2023 were approved as true and correct records and signed by the Chairman.

2 Declarations of Interest

There were no declarations of interest received.

3 Forward Plan

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

RESOLVED that: the Governance and Ethics Committee Forward Plan be noted.

4 Internal Audit Update Report - Quarter Two 2023/24 (G4476)

Julie Gillhespey introduced the report (Agenda Item 5), which provided an update on the Internal Audit work as at the end of quarter two 2023/24. Julie Gillhespey highlighted section 5.3 of the report which noted that no completed corporate audits within the quarter had received a less than satisfactory opinion.

It was further reported that since the previous update the Audit Team had changed approach to the audit report opinion categories so that there were now four assurance categories which would be RAG rated to highlight report opinions. Julie Gillhespey commented that the changes had been incorporated to align with good practice.

In response to a query from Councillor Chris Read, it was clarified that the categories had changed from control opinions to assurance categories predominantly to reflect less emotive terminology, but that the two were directly linked.

RESOLVED that: Governance Committee noted the content of the report.

5 Financial Year 2023/24 Mid Term Treasury Report (G4459)

Shannon Coleman-Slaughter introduced a report (Agenda Item 6), which provided details of the mid-year treasury position as at September 2023. Sections 4.2 and 4.4 of the report were highlighted which referred to the Council's reduced approach to long-term borrowing due to high Public Works Loan Board (PWLB) interest rates.

Shannon Coleman-Slaughter further referenced section 5.23 of the report which outlined the Council's decision to amend its Minimum Revenue Provision (MRP) which would generate revenue savings in the current year of approximately £3.2m.

Councillor Howard Woollaston noted the significant savings and queried why the MRP had not been amended in the past. Shannon Coleman-Slaughter commented that it had been timely to have a review and that it had been one of the suggestions from the new external advisors. It was clarified that whilst there was a change in policy WBC would still be in line with other local authorities and not at undue risk.

Joseph Holmes further clarified that the Department for Levelling Up, Housing and Communities (DLUHC) had recently created the Office for Local Government (Oflog), which provided comparison data for local councils in relation to the levels of financing and debt, and that WBC had lower levels of debt but higher levels of capital financing to similar size councils, which was another reason for the review.

David Southgate referred to section 5.16 of the report and queried whether the £10m used to fund capital expenditure would be returned to reserves at a later date. Joseph Holmes responded that the Council was moving towards a blend of some short term borrowing (up to 25%) and long-term loans due to the level of interest rates.

Councillor Howard Wollaston proposed and Councillor Dennis Benneyworth seconded the recommendations within the report.

RESOLVED that: Governance Committee

- Noted the mid-term treasury position as detailed in this report. The Section 151 Officer is satisfied that treasury management practices in year have operated in accordance with the approved performance management criteria.
- Approved the proposal for an in year amended to the Council's approved Minimum Revenue Provision (MRP) Policy. The current policy is included in appendix C. Section 5.16 of this report details the proposal to move to applying MRP using the annuity method and a weighted average life per financial year. The change in policy will generate a £3.2 million revenue saving in 2023/24

6 Investment & Borrowing Strategy Financial Year 2024-25 (G4444)

Shannon Coleman Slaughter introduced a report (Agenda Item 7), which sought to consolidate the investments and borrowing strategy for the year ahead by detailing how and where the Council would invest and borrow in the forthcoming year, within a particular framework. It was noted that the paper would form part of the Budget papers which would be reviewed by Council on 29 February 2024. It was highlighted that the Council would not be fully financing the Capital Strategy. The Investment and Borrowing Strategy would be set lower than the Capital programme as the Council was proposing to dispose of some commercial property to enable capital receipt and future capital financing from those receipts.

Councillor Howard Wollaston queried whether West Point House should be included as one of the non-operational properties. Shannon Coleman-Slaughter explained that the report separated the commercial investment assets which were directly financed from borrowing as opposed to those assets not directly financed by borrowing.

RESOLVED that: Governance Committee noted the report.

7 Risk Management Q2 2023/24 Report (G4470)

Catalin Bogos introduced a report (Agenda Item 8), which highlighted the corporate risks as at the end of September 2023, and the actions that had been implemented to mitigate those risks. Catalin Bogos explained that 'gross rating' referred to the risk without any mitigation, and the 'current rating' was at the time of reporting which took into consideration the mitigations in place at that time.

It was reported that the Council had adopted a new Council Strategy in October 2023 and that the risks detailed within the report were aligned to the new Strategy.

It was noted that one additional risk had been added to the risk register.

Councillor Howard Woollaston commented that the heat map illustrated at Appendix C appeared to be particularly red. Catalin Bogos explained that only the highest risks were reported and escalated to the Corporate Risk Register and so it was to be expected that they would be the highest rated risks of all those risks monitored throughout the Council.

Councillor Christopher Read queried whether it would be possible for future reports to contain a graph detailing how the risks were trending. Catalin Bogos noted that there would be little historical data as the current system had only been implemented the previous year, however agreed that it would be possible to review quarterly trends.

David Southgate suggested that as a risk management tool, the Committee were reviewing data that was effectively six months old, and queried whether the Council used the risk management tool pro-actively. Catalin Bogos explained that the report was being reviewed by the Committee for assurance purposes to approve that the risk management process was sound rather than to assist with the actual management of risk. Further it was noted that all Members had access to risk management data in real time.

Councillor Laura Coyle queried whether there was any target for de-escalation of risks. Catalin Bogos explained that there was no target for escalation or de-escalation, but that the priority was to identify, monitor and mitigate against risks.

RESOLVED that: Governance Committee

- Noted the September 2023 position and actions undertaken to minimise the impact for existing 16 risks on the Corporate Risk Register (CRR), as a result of one new risk being escalated and no risks being deescalated from the Corporate Register during the reporting period report.

8 Exclusion of Press and Public

9 Risk Management Q2 2023/24 Report (G4470)

(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 10) concerning the corporate risks as at the end of September 2023 and the actions that were being taken to mitigate those risks.

RESOLVED that: Governance Committee

- Noted the September 2023 position and actions undertaken to minimise the impact for existing 16 risks on the Corporate Risk Register (CRR), as a result of one new risk

GOVERNANCE COMMITTEE - 29 JANUARY 2024 - MINUTES

being escalated and no risks being deescalated from the Corporate Register during the reporting period report.

(The meeting commenced at 6.30 pm and closed at 7.30 pm)

CHAIRMAN

Date of Signature

Governance Committee –16 April 2024

Item 3 – Declarations of Interest

Verbal Item

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Provisional Governance Committee Forward Plan 16 April 2024 – 16 July 2024

16 July 2024						
1.	G4500	Internal Audit Plan 2024-25		Julie Gillhespey		
2.	G4520	Treasury Management Annual Report		Shannon Coleman-Slaughter		
3.		2024/25 KPMG Audit Plan		Shannon Coleman-Slaughter		
4.		Risk Management Strategy		Catalin Bogos		
5.		Constitutional Update		Sarah Clarke		
6.	G4508	2022-2023 External Auditors Report		Joseph Holmes		
7.	G4543	Draft Financial Statements 2023/24 and Going Concern Assessment		Shannon Coleman-Slaughter		

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Internal Audit Update Report – Quarter Three 2023/24

Committee considering report:	Governance Committee
Date of Committee:	16 April 2024
Portfolio Member:	Councillor Jeff Brooks
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	G4486

1 Purpose of the Report

- 1.1 To update the Committee on the status of Internal Audit work as at the end of quarter three 2023/24.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.
- 1.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.

2 Recommendation

No decision is needed, Committee only required to note content of the report.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None
Human Resource:	None
Legal:	None
Risk Management:	Internal Audit work helps to improve risk management processes by identifying weaknesses in systems and procedures and making recommendations to provide risk

	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.			
Property:	None			
Policy:	None			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		

Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	None			

4 Executive Summary

- 4.1 To update the Committee on the status of Internal Audit work as at the end of quarter three of 2023/24.
- 4.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter quarterly updates are required to be presented to Committee.
- 4.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.
- 4.4 There were no audit reviews completed during the period which were given a less than reasonable assurance opinion. There were also no unsatisfactory Follow-up reviews completed during the period.
- 4.5 There are no significant issues of concern identified through audit work during the period that need to be highlighted to senior officers/members.

5 Supporting Information

Introduction/Background

- 5.1 Appendix A to this report sets out the audits that have been finalised this quarter. The table below shows the breakdown of completed audits by opinion given. There were a further two advisory audits completed where no opinion was given.

Audit Type	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Corporate Systems			5	1
Schools			1	

- 5.2 For this reporting period there were no completed corporate audits given a less than reasonable assurance opinion.
- 5.3 There was one completed Follow-up review, which was given a satisfactory progress rating.
- 5.4 Details of the audit work in progress and the stage reached is set out at Appendix B. This includes one audit still in progress from last financial year. For context, audit work may take longer than planned for a number of reasons, we are very reliant on services providing us with the required information/managers responding to draft audit reports in a timely manner. Also, as a small team, we need to react to emerging changes in risk during the year, for example suspected fraud, requests for unplanned work, as well as audit advice, this reprioritisation of work therefore results in delays in the planned work that has already commenced.
- 5.5 Progress made against the Anti-Fraud Work Plan is set out at Appendix C.

Proposals

Members note the outcome of audit work.

6 Other options considered

Not applicable, the report is for information only.

7 Conclusion

There were no audits completed for the period which were given a less than reasonable assurance opinion. There are no areas of concern identified from audit work completed in the period which need to be highlighted to Committee.

8 Appendices

- 8.1 Appendix A - Completed Audit Work.
- 8.2 Appendix B - Current Audit Work.
- 8.3 Appendix C - Anti-Fraud Work Plan Update.

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

-
- | | |
|--|-------------------------------------|
| Delays in implementation could compromise the Council's position | <input type="checkbox"/> |
| Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months | <input type="checkbox"/> |
| Item is Urgent Key Decision | <input type="checkbox"/> |
| Report is to note only | <input checked="" type="checkbox"/> |

Officer details:

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

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1) COMPLETED AUDITS

Directorate/Dept/Service	Audit Title	Overall Opinion
Corporate		
Resources Directorate	Community Municipal Investment Bond	N/A - Short Advisory Review.
Resources		
ICT	I.T. Asset Security	N/A – Advisory, as new asset management software is in process of being implemented.
Finance and Property	Commercial Rents (excluding the Property Investment Portfolio)	Reasonable Assurance
People		
Education	Family Hubs	Reasonable Assurance
Education	Parsons Down School Partnership	Reasonable Assurance
Communities and Wellbeing	Public Health - Commissioning/Contract Management	Substantial Assurance
Place		
Environment	Environment Strategy/Delivery Plan	Reasonable Assurance
Environment	Fleet Management	Reasonable Assurance
Environment	Street Works/Traffic Regulations	Reasonable Assurance

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>Overall Opinion - Report</u>	<u>Opinion - Implementation progress</u>
Resources			
Strategy and Governance	Elections Financial Administration	Weak	Satisfactory

People			
None			
Place			
None			

3) COMPLETED ADVISORY REVIEWS/OTHER WORK

Directorate/Dept/ Service	Review Title
General Grants sign off work	Work completed on the DFG (Disabled Facilities Grant).

1) CURRENT AUDITS

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year *
Corporate			
None			
Resources			
Finance and Property	National Non-Domestic Rates	Testing	2023/24
Finance and Property	VAT	Testing	2023/24
Finance and Property	Insurance	Background	2023/24
Strategy and Governance	Payroll	Testing	2023/24
Strategy and Governance	Use of Social Media	Testing	2023/24
Commissioning	Contract Letting	Testing	2022/23
Finance and Property	Housing Benefits/Exceptional Hardship Fund	Background	2023/24
People			
Adult Social Care	Assessment of Need/Purchase of Care (MH/LD Clients)	Ready for Review	2023/24
Education	Hermitage Primary	Draft Report Issued	2023/24
Education	Bradfield Primary	Draft Report Issued	2023/24
Education	Home to School Transport (Entitlement)	Testing	2023/24
Children and Family Service	Child Care Lawyers	Testing	2023/24
Place			
Development and Regulation	Ukraine Hub Payments	Ready for Review	2023/24
Environment	Civil Contingencies	Testing	2023/24

* Work relating to last year – 1 audit still at testing stage – main part of the audit put on hold as other audit work prioritised, recommenced autumn 2023.

2) CURRENT ADVISORY REVIEWS/OTHER WORK

Audit/Review Title	Current Position of Work
Supporting Families Programme Grant Claims	Ongoing
Budget Overspend Work in Adults Social Care and Children and Family Services (VFM type of work)	Drafting Findings

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit Title
Resources	
Finance and Property	Accounts Receivable
Finance and Property	Fixed Asset Register (2nd Stage Follow-up)
ICT	ICT Systems Security (Access)
Place	
None	
People	
None	

Anti-Fraud Work Plan**(Drawn together from entries in the Audit Plan for 2023/24**

<u>Audit Name</u>	<u>Work Focus</u>	<u>Update Position (End of December 2023)</u>
National Fraud Initiative (NFI) Investigation Work	Review of data matches to assess whether fraudulent.	New exercise commenced in October. Matched data received January which is now being reviewed. (This is a large/time consuming exercise that is ongoing during the year.)
Mileage/Expenses Claims	Assess compliance with Council Policy/Procedures and identify any issues with erroneous or fraudulent claims.	Background
West Berkshire Lottery	Check that the scheme is effectively managed in accordance with the contractual arrangements, in order to reduce risk of reputational damage and funds being misappropriated.	Completed
Contract letting - Other than Care Packages	Check for compliance with Contract Rules/legislation. Check for risk of contracts being awarded inappropriately/potential for conflict of interest/personal gain.	Testing
Personal Budgets (Direct Payments/Use of payment cards) (Education Service)	Personal Budgets may be used inappropriately/fraudulent documentation could be provided for expenditure incurred.	Background
Housing Benefits/Exceptional Hardship Fund	Check that grant applications have been appropriately checked/vetted and that grants have been awarded accurately/appropriately.	Background
Development Control (Planning Applications)	Check that internal procedures meet key elements of Planning Application Legislation, and are sufficiently robust to reduce the risk of corruption/fraud in the planning application process. We will also carry out compliance checks to ensure applications are processed in accordance with the defined procedures.	Background

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Financial Year End 2023-24 Year End Planning Document

Committee considering report:	Governance Committee
Date of Committee:	16 April 2024
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	G4504

1 Purpose of the Report

This report is to inform Members of the accounting policies to be applied in the production of the Council’s 2023/24 Financial Statements. It is also to confirm any amendments to these accounting policies arising from changes in operational activities and/or the impact of any new accounting standards issued.

2 Recommendations

- 2.1 Members are asked to consider and approve the following recommendation:
 - (a) To approve the accounting policies which will be applied in the production of the Council’s 2023/24 Financial Statements (Appendix A).
- 2.2 Members are requested to note the following:
 - (a) Delay to the commencement of the external audits of the draft financial statements for 2021/22 and 2022/23. Nationally, there are delays across the Local Government sector in respect of financial statements being finalised to publication, and the associated issuance of audit opinions. The Department for Levelling Up, Housing & Communities (DLUHC), issued a consultation on 8th February 2024 designed to address the audit back log and make provision for a backstop date of 30th September 2024. Further detail is included in sections 4.2 – 5.3 of this report.
 - (b) The internal year-end timetable which will complement the production of the Draft 2023/24 Statement of Accounts (Appendix B).

3 Implications and Impact Assessment

Implication	Commentary
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Financial:	The Council currently has open unaudited accounts for financial years 2021/22 and 2022/23. This report details the consultation proposed by DLUHC designed to address the audit back log. From a preparation of the account's perspective, the impact of unaudited statements is that the Council does not have assurance of its reserve levels beyond 31 st March 2021 (i.e. the 2020/21 external audit opinion). Any material misstatements identified by external audit can currently be retrofitted back across all open accounting periods (i.e. where a financial year has not been closed with a published audit opinion). Draft balances are currently being rolled between financial years to enable the close down process to be undertaken and draft accounts published by the statutory deadline of 31 st May annually.			
Human Resource:	Not applicable			
Legal:	The Council is required to ensure that the Statement of Accounts is properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code) and meets the requirements of the Accounts and Audit Regulations 2015.			
Risk Management:	Where an external auditor concludes that the Council's Statement of Accounts is not compliant with the CIPFA Code, and where the financial statements do not provide a true and fair view of the Council's financial position and performance, this may result in the issuance of a qualified audit opinion.			
Property:	Not applicable			
Policy:	Not applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:		X		

A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	Joseph Holmes, Executive Director for Resources and s151 Officer.			

4 Executive Summary

4.1 On 8th February 2024 the Department for levelling Up Housing & Communities (DLUHC), published a consultation with a view to determining a way forward in respect of the backlog of unaudited Local Government accounts and embed a timely audit regime moving forward. The backlog in the publication of audited accounts of local bodies peaked at 918 (30th September 2023). As at 31st December 2023 the backlog stood at 771. In respect of West Berkshire Council, the 2021/22 external audit

commenced in early 2023 but was put on hold by external audit due to conflicting workload priorities in July 2023. The 2021/22 audit opinion remains outstanding at the time of writing this report. In respect of financial year 2022/23, the Council achieved the shortened deadline for the publication of draft accounts (31st May 2023), but the external audit has not been commenced.

- 4.2 As stated by DLUHC, timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by enabling effective planning, making informed decisions, and managing of services and ensures transparency and accountability to local taxpayers. Without an audit opinion, the last date at which the Council has assured reserve levels is 31st March 2021 (financial year 2020/21 audited financial statements).
- 4.3 The DLUHC consultation proposes a reset of the current system. A date in law known as the backstop date (30 September 2024), is proposed as the date by which local bodies will publish audited accounts for all outstanding years up to and including 2022/23. The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. The backstop applies to both local bodies and auditors. Local bodies will be required to publish audited accounts by 30 September 2024 for outstanding years. There is a likely requirement for auditors to issue a modified or disclaimed opinion on outstanding accounts if all outstanding work is not completed. Auditors will be required to clearly communicate the reasons for a modified or disclaimed opinion. Auditors are still required to undertake and complete value for money (VFM) work.
- 4.4 In respect of the Council preparing the financial year 2023/24 accounts, there are no significant changes in respect of new IFRS or changes in internal processes from prior years. As part of the 2022/23 financial year accounts the accruals limit for revenue was increased from £5k to £10k to align with capital and acknowledge inflation. This limit has been extended for 2023/24 to also include prepayments. This will ensure consistency and does not pose a materiality risk in respect of accounts preparation. It should be noted from 1st April 2024 IFRS 16 Leases is adopted, currently the Council is seeking procurement of IFRS 16 specific software to support adoption of the standard, a capital budget to allow for implementation is included in the proposed capital programme for financial year 2024/25. The Dedicated Schools Grant statutory override (i.e. whereby the High Needs deficit is transferred from general reserves to unusable reserves and hence protecting the Council's General Fund), remains in place for financial year 2023/24.

5 Supporting Information

Background

- 5.1 Under International Standards of Audit (ISAs) and the National Office Code of Audit Practice, the Council's external auditor is required to report whether, in their opinion, the Council's financial statements:
- (a) Give a true and fair view of the financial position of the Council, incorporating the income and expenditure disclosed for the financial year; and

- (b) Have been prepared in accordance with the CIPFA Code and comply with the reporting requirements defined in the Accounts and Audit Regulations 2015.
- 5.2 As part of the aforementioned consultation, local bodies must publish audited accounts by the backstop date, inclusive of financial year 2022/23, which at the time of writing this report, the external audit of the Council's accounts, as with financial year 2021/22 remains outstanding. The consultation does not appear to provide any concessions for local bodies; therefore it is required to publish audited accounts by the backstop, inclusive of the following steps:
- Publication of unaudited accounts
 - Completion of public inspection period
 - S151 Officer re-confirmation and member approval of a final version of the accounts
 - Obtain an audit opinion for publication by 30th September 2024.
- 5.3 In the consultation there is not a minimum level of work defined as expected to be undertaken by external auditors in order to issue an assurance opinion. Furthermore there are no proposed changes to the 2023/24 financial year timetable. Local bodies will be required to publish draft accounts by the 31st May 2024 deadline, inclusive of publication notices should the deadline be missed. CIPFA LASAAC are currently reviewing potential simplifications of the CIPFA code, suggested areas are:
- Extending the infrastructure accounting override
 - Simplifying the revaluation of operational property to permit use of indexation.
 - Reducing the requirements for net defined benefit pension liabilities / assets disclosed.
- 5.4 Any code amendments are not anticipated to be published significantly in advance of the 2023/24-year end close process. The audit deadline in respect of the 2023/24 accounts will be disapplied and a further backstop date of 31st May 2025 implemented.
- 5.5 The main impacts of the above is that the Council is currently operating and undertaking financial planning on reserves levels that are not assured. As with all open (i.e. unaudited accounts), the opening balances rolled between financial years (reserves, Balance Sheet) are draft. Draft balances from financial year 2022/23 will be rolled into 2023/24 to enable the financial close to proceed and publication of draft accounts deadline to be achieved. The Council is therefore at risk of any material adjustments being identified, being reapplied to remaining open years accounts, impacting on reserve levels, undermining existing financial planning.

Proposals

- 5.6 One minor proposal is made as part of this report, relating to revenue prepayments. Historically the limit applied is £5k, it is proposed as part of the 2023/24 close process that this is increased to £10k to acknowledge inflation and bring the limit in line with all other minimum accounting levels applied across the accounts. To give context £815k of prepayments under £10k were raised as part of the 2022/23 close process. Increasing the limit will not impact on the Council's requirement to present financial costs in the year to which they relate and not materially distort the accounts. Materiality, historically has been approximately £5 million.

6 Conclusion

- 6.1 The Council currently has open unaudited accounts for financial years 2021/22 and 2022/23. This report details the consultation proposed by DLUHC designed to address the audit back log. From a preparation of the account's perspective the impact of unaudited statements is that the Council does not have assurance of its reserve levels beyond 31st March 2021 (i.e. the 2020/21 external audit opinion). Any material misstatements identified by external audit can currently be retrofitted back across all open accounting periods (i.e. where a financial year has not been closed with a published audit opinion). Draft balances are currently being rolled between financial years to enable the close down process to be undertaken and draft accounts published by the statutory deadline of 31st May annually.
- 6.2 One minor change to the Council's previously adopted accounting policies is proposed within this report relating to increasing the prepayment level from £5k to £10k. The s151 Officer is satisfied that the proposed change complies with the CIPFA code and the risk of material misstatement within the statement of accounts remains minimal.

7 Appendices

- 7.1 Appendix A – 2023/24 Draft Accounting Policies
- 7.2 Appendix B - 2023/24 Internal Yearend Timetable.

Subject to Call-In:

Yes: No: X

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

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2023/24 Draft Accounting Policies

General Principles

The Accounts and Audit Regulations 2015 (SI 2015 No 234) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2023/24, these proper accounting practices principally comprise:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code);
- The Service Reporting Code of Practice 2023/24 (SeRCoP);
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No 3146, as amended).

The Statement of Accounts will be prepared using the going concern and accruals bases. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Going Concern Concept

The financial statements shall be prepared on a going concern basis; that is, the accounts are prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place rather than when cash payments are made or received. In particular:

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, these amounts are carried as inventory in the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals for 2023/24 will generally only be recognised where the value exceeds £10,000. The £10,000 limit will also be applied to prepayments in 2023/24.
- The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation. A key income stream for the Council is Adult Social Care client income, in the region of 41% of total budgeted income for fees and charges in 2023/24. The associated accounting treatment has been reviewed. Other income amounts received by the Council include government grants

and contributions, Council Tax and Business Rates, and these sums fall outside the scope of this assessment.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours without material penalty. Cash equivalents are highly liquid investments that also are repayable on notice of not more than 24 hours and that are readily convertible to known amounts of cash with low risk of change in value.

Prior period adjustments, changes in accounting policies, estimates and errors.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are accounted for retrospectively. The basis for any prior period adjustments in 2023/24 is still to be determined. The Council will not adopt any new accounting standards or amendments in 2023/24 which will have a significant impact upon its financial position.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding-capital assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible capital assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to a prudent amount determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation (not charged through the Revaluation Reserve) are adjusted by means of a transaction in the Capital Adjustment Account via the Movement in Reserves Statement.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date of approval of the Statement of Accounts. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect or impact, disclosure is made in the Notes to the Accounts of the nature of these events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Interests in companies and other entities

Where the Council has material interests in subsidiary and associate companies, these will be consolidated into Group Accounts on a line-by-line basis for subsidiaries, and the equity method for associates, once accounting policies have been aligned with the Council where appropriate, and any intra-group transactions have been eliminated. For 2023/24, the Council will assess whether there is a need to prepare Group Accounts, this requirement determined by the scale of material interests in companies and other entities.

Investment Properties

Investment properties are properties that are held solely to earn rental income and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The line is also credited/debited with gains/losses on the disposal of properties, measured as the difference between the carrying amount and sale proceeds. Accounting regulations do not permit unrealised gains and losses to impact the General Fund. Therefore, such gains and losses are reversed out of the General Fund (via the Movement in Reserves Statement) and posted to the Capital Adjustment Account.

Overheads

The costs of overheads and support services are managed separately, and therefore these service segments are reported separately and in accordance with the Council's arrangements for accountability and financial performance.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund Total via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure Financing disclosure in the Council's Statement of Accounts.

Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with any conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. The financial impact of receipt of grants is detailed in the Council's outturn and the Statement of Accounts documents.

Following the receipt of a grant, the Council has to assess whether in administering the grant it was acting as an agent or principal.

Where the Council has acted as agent, the following accounting treatment conditions apply:

- It was acting as an intermediary between the recipient and the appropriate Government Department.
- It did not have 'control' of the grant conditions, and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to exercise its own discretion when determining the amount of grant payable.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Authority charges for and collects the levy, and this is a planning charge. The levy income will be used to fund a number of infrastructure projects to support the commencement date of the development of the area. The receipt of CIL is limited by regulations. It is therefore recognised at the commencement date of development in the Comprehensive Income and Expenditure Statement in accordance with the core accounting policy for Grants and Contributions detailed above.

Business Improvement Districts (BID)

A Business Improvement District (BID) scheme applies to a defined area in Newbury Town Centre. The BID is managed and operated by Newbury Business Improvement District Community Interest Company. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme and accounts for income and expenditure, including contributions to the BID project, within the relevant service lines in the Comprehensive Income and Expenditure Statement.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are identified within the General Fund Total in the Movement in Reserves Statement in the Statement of Accounts. Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service area within the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Total via an entry in the Movement in Reserves Statement.

Schools

Local authority-maintained schools are determined to be under the control of the Council. Consequently, the income, expenditure, assets, and liabilities of maintained schools are accounted for within the Statement of Accounts. Other types of school, such as academies and free schools, are outside of the Council's control, and are therefore excluded from the Statement of Accounts.

Value Added Tax

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC) and all VAT paid is recoverable.

Joint Operations

Jointly controlled operations are where the parties involved have joint control of an arrangement and have rights to the asset and obligations relating to the activities undertaken in conjunction with other

operators. These activities often involve the utilisation of the assets and resources of the operators rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure incurred and the share of income earned from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other joint operators, with the assets being used to obtain benefit for the joint operators. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement where an event has taken place that gives the Council a legal or constructive obligation that in all likelihood requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

Contingent Assets

A contingent asset arises whereby an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a Note to the Statement of Accounts where it is probable that there will be an inflow of economic benefit or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a Note to the Statement of Accounts.

Revenue Recognition

The Council's various income streams have been assessed and classified in accordance with the Code and revenue has been recognised accordingly. Specific consideration has been given to:

- Implied or stated contractual terms for exchange transactions.
- Obligating events and/or conditions attached to non-exchange transactions, where a party receives something of value without directly giving value in exchange.
- Significance of the income stream to the Council.

Property, Plant and Equipment

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefit or

service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (such as repairs and maintenance) is charged as an expense when it is incurred.

Property, plant and equipment is recognised where the initial cost or value exceeds £10,000.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the cost of dismantling and removing the item and restoring the site on which it is located.

Infrastructure, community assets, assets under construction and vehicles, plant and equipment are then carried in the Balance Sheet at depreciated historical cost. Other categories of property, plant and equipment are subsequently re-measured at existing use or fair value. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. The Council engages external valuation specialists to determine updated asset valuations.

Revaluation

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to determine whether there is an indication of impairment. Where indications exist and possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, these are accounted for in the same way as revaluation losses.

Depreciation

Depreciation is provided for on all property, plant, and equipment assets by the systematic allocation of the depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and certain community assets) and assets that are not yet available for use, such as assets under construction.

Depreciation is calculated on the following bases:

- Buildings – reducing balance over the useful life of the property as estimated by a qualified valuation specialist.

- Vehicles, plant, furniture, and equipment – reducing balance over the life of the asset, usually 10 years.
- Infrastructure – reducing balance over the life of the asset, usually 10 to 40 years.
- IT assets – straight-line allocation over the useful life of the asset, usually five years.

Where an asset is material and has major components, whose cost is significant to the total cost of the asset, and these elements have markedly different useful lives, such components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset is de-recognised in the Balance Sheet. This amount, net of any receipts from disposal, is accounted for as a gain or loss on disposal and taken to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains previously accounted for in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any disposal receipts in excess of £10,000 are categorised as capital receipts and must be credited to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax but is subject to separate arrangements for capital financing. Amounts reflected in the Comprehensive Income and Expenditure Statement are appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

Asset Reclassification

The Council adheres to CIPFA and RICS guidance on the classification of properties. Where a property has had a change of use, the Council will reflect this in the Statement of Accounts. Movements between asset classes are usually between Property, Plant and Equipment and Investment Properties. Upon reclassification, assets are subsequently valued in line with the relevant class of asset. In certain cases a property may be used for a combination of investment and operational purposes. In these instances, the Council will split the valuation of the property between Property, Plant and Equipment and Investment Properties, and reflect this in the Accounts.

Minimum Revenue Provision (MRP)

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards a provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with the established MRP policy.

Componentisation

The Code requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Within the Council's asset portfolio there are a number of asset classes where componentisation will not be considered, including:

- Equipment – as this is considered immaterial; and
- Asset classes which are not depreciated – such as land, investment properties, heritage assets, community assets, surplus assets and assets held for sale.

The remaining assets, which are housed within the operational portfolio, are often of a specialised nature such as schools and leisure centres. The Council instructs the valuation specialist to provide component information for each individual asset. This is subsequently reviewed to determine whether or not the inclusion of a component value will have a material impact upon depreciation. For 2023/24, a componentisation de minimis of £3million will be in place. This policy will only be applied to each asset as it falls due to be revalued. Any asset (including acquisitions) that has had capital expenditure added to it during the financial year will also be considered. Where individual assets fall below the de minimis threshold, but are collectively above this level, these assets are assessed for componentisation where generally treated together elsewhere.

Heritage Assets

These assets have historical, artistic, or scientific importance, and are held primarily for their contributions to art and culture. Heritage assets are deemed to have infinite lives and are not subject to depreciation. The carrying amounts are reviewed where there is evidence of impairment such as physical damage. Any impairment is recognised and measured in accordance with the Council's general accounting policy on impairment.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Council as a result of past events, and future economic benefit or service potential must be expected to flow from the intangible asset to the Council. The most common class of intangible asset in Local Authorities is computer software. If an item does not meet the definition of an intangible asset (identifiability, control, and future economic benefits), expenditure to acquire it or generate it internally is recognised as an expense when incurred.

Upon recognition, an intangible asset is measured at cost. Expenditure incurred on an intangible asset after it has been recognised will normally be charged to the surplus or deficit on the provision of services as incurred. Only rarely will subsequent expenditure meet the recognition criteria in the Code. Where this occurs, the expenditure is recognised in the carrying amount of the intangible asset.

The Council applies amortisation to intangible assets with finite useful lives on a reducing balance basis over the useful life of the asset, and from the point at which the asset is available for use.

Assets with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that the asset may be impaired. The useful life of the asset shall be reviewed annually thereafter.

Leases

Rentals paid by the Council under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased asset. Charges are accounted for on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Where the Council grants an operating lease over a property or a Property, Plant and Equipment asset, the item is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a

straight-line basis over the life of the lease, even if this does not match the pattern of payments made.

Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services, passes to the PFI contractor. As the Authority is deemed to control the services that are provided under such PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on the Balance Sheet within property, plant and equipment. The original recognition of these assets at fair value (based upon the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Authority has one PFI contract, and this is with Veolia ES West Berkshire Limited.

Non-current assets recognised in the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment assets owned by the Authority.

The annual amounts payable to PFI scheme operators are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service line in the Comprehensive Income and Expenditure Statement.
- **finance cost** – an interest charge of 6.1% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **payment towards liability** – applied to write down the Balance Sheet liability owed to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- **lifecycle replacement costs** – a proportion of the amount payable is posted to the Balance Sheet as a prepayment and subsequently recognised as an addition within property, plant and equipment when the relevant works are eventually undertaken. This accounting is in accordance with the CIPFA Code's adaption of IFRIC 12 Service Concession Arrangements.

Financial Instruments

Financial instruments are recognised within the Balance Sheet when the Council becomes a party to their contractual provisions. These instruments are initially measured at fair value.

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost. This means that the amount presented in the Balance Sheet is the outstanding principal sum repayable plus accrued interest. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based upon the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial assets are subsequently measured in one of two ways:

- Amortised cost – assets whose contractual terms are basic lending arrangements in that these assets give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding which the Council holds under a business model whose objective is to collect those cashflows.
- Fair value – all other financial assets.

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable plus accrued interest. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based upon the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Changes in the values of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line as they arise.

Employee Benefits

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line within the Comprehensive Income and Expenditure Statement.

Post-Employment Benefits: Pensions

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to fund the payments (for those benefits) and to disclose them at the time that employees earn their future entitlements.

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead.
- The NHS Pension Scheme, administered by NHS Pensions.

The Local Government Pension Scheme provides defined benefits to members, specifically retirement lump sums and pensions, earned as employees working for the Council, or for related parties. Under IAS 19 and CIPFA Code requirements, the Council recognises the cost of post-employment benefits in the reported cost of services when these amounts are earned by employees rather than when the benefits are eventually paid as pensions. The Council will make an Employer contribution in the region of £5.22m in 2024/25 to reduce the scheme liability.

The Teachers' and NHS plans are defined benefit schemes which are accounted for as defined contribution schemes. This is because the arrangements for these schemes mean that future defined benefit liabilities are not readily identifiable, and therefore no liabilities for future payment of benefits are recognised in the Balance Sheet. Services are charged with employer contributions to the Teachers' and NHS schemes in the Comprehensive Income and Expenditure Statement within

the appropriate financial year. The Council's 2024/25 Employer contribution level is at 23.68% in respect of the Teachers' scheme.

Defined Benefit Pension Schemes

Local Government Pension Scheme

The liabilities of the Royal Berkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of calculation is the projected unit method - specifically an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, including mortality rate assumptions, employee turnover rates and estimates of projected earnings for current employees. This future liability is then discounted back to present value using a discount rate determined by reference to market yields at the Balance Sheet date of high-quality corporate bonds.

The assets of the Royal Berkshire Pension Fund attributable to the Council are held in the Balance Sheet at fair value.

The change in the net pension liability is analysed into the following components:

1. Service cost. This comprises current service cost (allocated in the Comprehensive Income and Expenditure Statement) to the services for which the employees worked, and past service cost – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
2. Net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
3. Re-measurements - comprising the return on Plan assets (excluding amounts included in net interest on the net defined benefit liability) charged to the Pension Reserve as Other Comprehensive Income and Expenditure and actuarial gains and losses (changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation date or because the actuary has updated their assumptions). These sums are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
4. Contributions paid to the Pension Fund are charged to the General Fund via an accounting entry in the Movement in Reserves Statement to replace the service cost items above discretionary benefits.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements of employees. Any resulting liabilities are accrued in the year of award and are accounted for using the same policies applied for liabilities relating to the Royal Berkshire Pension Fund.

Curtailments

The cost of curtailments arising as a result of the payment of unreduced pensions on early retirement have been calculated by the Actuary. The amounts calculated are the curtailment costs which affect the Council's Local Government Pension Scheme liabilities.

Collection Fund

The Collection Fund shows the transactions of the billing authority in relation to the collection of Council Tax and Non-Domestic Rates from local taxpayers, and its subsequent distribution to local authorities and Central Government. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting Non-Domestic Rates and

Council Tax belong to the bodies concerned, including major preceptors, the billing authority, and Central Government. The Council's share of Council Tax and Business Rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the CIPFA Code. Income due from Council Tax and ratepayers is recognised in full at 1 April, this date being the start of the financial year.

The Council's share of Council Tax and Business Rates income is reflected in the Comprehensive Income and Expenditure Statement on an agency basis, consistent with the requirements of the Code. However, the amount to be reflected in the General Fund is determined by regulation. Therefore, there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

The Council, as a billing authority, is statutorily required under Section 89 of the Local Government Finance Act 1988 to maintain a separate Collection Fund account as agent into which all transactions relating to the collection of Business Rates and Council Tax income from taxpayers and distribution to local government bodies and Central Government are made. The Collection Fund account is accounted for separately from the General Fund. Surpluses or deficits on the council tax income and distributions are apportioned to the relevant precepting body in the following financial year in proportion to each body's Band D Council Tax amount.

Council Tax

Council tax is charged on residential properties based upon valuation bandings established when the system was introduced in 1993. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) is approved by Full Council annually as part of the budget-setting process.

National Non-Domestic Rates

The Council collects Business Rates for its area based on rateable values (as determined by the Valuation Office Agency) and multiplier indices as determined by Central Government. The total income estimated to be received in the year is notified to related bodies in the immediately preceding January in accordance with statutory regulations.

Termination Benefits

Termination benefits are charged on an accruals basis to the appropriate service or to the specified segment in the appropriate line in the Comprehensive Income and Expenditure Statement (where these sums relate to pensions enhancements) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Appendix B

2023/24 Internal Year-End Timetable

Category	Task description	Preparation date	Review date
Budget Managers	KEY DATE - year-end timetable, closing guidance and accruals instructions/templates issued to Budget Managers	Mon 2 Jan	Sun 8 Jan
Contingencies	KEY DATE - Budget Managers - issue carry forward requests (with indicative £ amounts) and requests for provisions and details of any Contingent Assets and Contingent Liabilities to Finance Managers	Fri 15 Mar	Mon 18 Mar
Imprest	KEY DATE - Budget Managers - final claim for reimbursement of non-schools imprest accounts & procurement cards to be submitted to service accountants	Mon 18 Mar	Mon 18 Mar
Schools	KEY DATE - Schools' final imprest claims to be submitted to Schools Finance Team	Tue 19 Mar	Wed 20 Mar
Accounts Receivable	KEY DATE - Process final transactional entries within Bank Income and Clearing Account	Wed 20 Mar	Wed 20 Mar
Accruals and prepayments	KEY DATE - Budget Managers - Orders to be GRN'd in Agresso by 5pm	Thu 28 Mar	Thu 28 Mar
Bank/Cash	KEY DATE - Final Debtors/Accounts Receivable year-end invoices to be raised by 12pm	Thu 28 Mar	Thu 28 Mar
Accounts Payable	KEY DATE - No further 2023/24 invoice registrations to be processed after 12pm cut-off	Thu 28 Mar	Thu 28 Mar
Revenue/Capital	KEY DATE - Final date for Revenue postings to Capital codes. Accounting entries processed after this date must be pre-authorized by Head of Finance & Property	Thu 28 Mar	Thu 28 Mar
Schools	KEY DATE - Month 12 Agresso Report issued to schools/central services	Tue 2 Apr	Tue 2 Apr
Capital	KEY DATE: Application of funding to Capital cost centres	Wed 3 Apr	Thu 4 Apr
Capital	KEY DATE - Capital Accruals deadline	Tue 9 Apr	Tue 9 Apr
Capital	KEY DATE: Transfer of actuals from cost centres	Wed 10 Apr	Thu 11 Apr
Capital	KEY DATE - Closure of General Ledger	Mon 15 Apr	Mon 15 Apr
Revenue	KEY DATE - Cut-off for all material accruals to be reflected within year-end position/vouch correct cut-off treatment for April 2024 expense items to this point	Mon 15 Apr	Tue 16 Apr
Schools	KEY DATE: Final date for closedown of Schools' cost centres and associated upload to Agresso	Wed 17 Apr	Thu 18 Apr
Capital	KEY DATE: Agree final Capital Outturn position and confirm reprofiling	Wed 17 Apr	Thu 18 Apr
Revenue	KEY DATE - Closedown of all Revenue cost centres	Mon 22 Apr	Mon 22 Apr

Financial Year End 2023-24 Year End Planning Document

Category	Task description	Preparation date	Review date
Schools	KEY DATE: Review schools' account codes / prepare year-end working paper documenting reconciliation of Delegations to B Codes, B Codes to Z Codes and consolidation of schools' trial balance	Mon 22 Apr	Tue 23 Apr
Schools	KEY DATE: Consolidation of schools' trial balance within year-end Statement of Accounts	Tue 23 Apr	Wed 24 Apr
Capital	KEY DATE: Capital Strategy Group - review Capital Outturn position and reprofiling	Wed 24 Apr	Thu 25 Apr
Revenue/Capital	KEY DATE - Revenue and Capital Directorate outturn reports to Heads of Finance & Property	Wed 1 May	Thu 2 May
Statement of Accounts	KEY DATE - Annual Governance Statement, Going Concern Report and Statement of Responsibilities to Corporate Board and Operations Board. Papers to include Draft Status Report on Statement of Accounts	Wed 1 May	Fri 3 May
Revenue	KEY DATE - Outturn report/supporting papers to Corporate Board. Papers due date - Wednesday 8 May 2024 (TBC)	Wed 8 May	Tue 14 May
Statement of Accounts	KEY DATE - finalisation of Draft Statement of Accounts and Inspection Notice for review by S151 Officer and Head of Finance & Property	Fri 17 May	Wed 22 May
Statement of Accounts	KEY DATE - Deadline for submissions to Operations Board. Papers due date - Thursday 16 May 2024 (TBC)	Thu 16 May	Thu 23 May
Statement of Accounts	KEY DATE - Publication of Draft Statement of Accounts and Inspection Notice	Tue 28 May	Thu 30 May
Schools	KEY DATE - DSG outturn report and schools' balances to HFG. Papers due date - Wednesday 29 May 2024 (TBC)	Wed 29 May	Wed 5 Jun
Schools	KEY DATE - DSG outturn report and schools' balances to Schools' Forum. Papers due date - Tuesday 11 June 2024 (TBC)	Tue 11 Jun	Mon 17 Jun
Statement of Accounts	KEY DATE - Draft Statement of Accounts and Going Concern Report to Governance and Ethics Committee		
Statement of Accounts	KEY DATE - Governance and Ethics Committee		

External Auditor’s Interim Annual Report Financial Years 2021/22 and 2022/23

Committee considering report:	Governance Committee
Date of Committee:	16 April 2024
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	G4535

1 Purpose of the Report

This report provides members with the interim audit report provided by Grant Thornton in respect of financial years 2021/22 and 2022/23. The external auditor is supplying an interim report as part of its duty under the Local Audit and Accountability Act 2014 to be satisfied that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in respect of its use of resources. Known as value for money.

2 Recommendation

No recommendations are included within this report. Report is for members to note only.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	Not applicable
Human Resource:	Not applicable
Legal:	Under the Local Audit and Accountability Act 2014 the external auditor is required to provide an opinion and be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in respect of its use of resources.
Risk Management:	Not applicable

Property:	Not applicable			
Policy:	Not applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		

Data Impact:		X		
Consultation and Engagement:	Joseph Holmes, Executive Director of Resources (s151 Officer).			

4 Executive Summary

4.1 The Council’s external auditors Grant Thornton have provided an interim combined value for money audit assessment for financial years 2021/22 and 2022/23 (appendix A). One key recommendation has been made in respect of financial year 2022/23 (page 13 appendix A):

“The Council must monitor its financial position and the impact of spending controls closely. As a priority, the Council should consider all possible options, including those that focus on People Directorate contract spend but also other areas of the revenue account where efficiency may be possible”.

5 Supporting Information

The interim report supplied by the external auditor is included in appendix A.

Proposals

There are no proposals within this report.

6 Other options considered.

Not applicable.

7 Conclusion

Page five of appendix A details the use of auditor’s powers and states no statutory recommendations or public interest reports have been required as identified in respect of the Council’s processes and procedures.

8 Appendices

8.1 Appendix A – Interim Auditor’s Annual Report 2021/22 and 2022/23.

Subject to Call-In:

Yes: No: X

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>
Delays in implementation could compromise the Council's position	<input type="checkbox"/>
Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months	<input type="checkbox"/>
Item is Urgent Key Decision	<input type="checkbox"/>
Report is to note only	X

Officer details:

Name: Shannon Coleman-Slaughter
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Interim Auditor's Annual Report on West Berkshire Council

2021/22 and 2022/23

March 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the [type of body] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the [type of body]'s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO has issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because a significant weakness has been identified for the later part of that period. By reporting the significant weakness now, we bring it to the reader's attention at the earliest opportunity.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below:

Criteria	Risk assessment	2020/21 Auditor judgment		2021/22 Auditor judgment		2022/23 Auditor judgment	
Financial sustainability	Risk of significant weakness identified for 2022/23	A	No significant weaknesses in arrangements identified, but improvement recommendations made	A	No significant weaknesses in arrangements identified, but one improvement recommendation from 2020/21 has been widened and still applies.	R	Significant weakness in arrangements. One key recommendation made. One improvement recommendation from 2020/21 has been widened and still applies.
Governance	No risk of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendations made	A	No significant weaknesses in arrangements identified, but one new improvement recommendation made and two 2020/21 recommendations still apply.	A	No significant weaknesses in arrangements identified, but one improvement recommendation made and two 2020/21 recommendations still apply.
Improving economy, efficiency and effectiveness	No risk of significant weakness identified	G	No significant weaknesses in arrangements identified and no recommendations made.	A	No significant weaknesses in arrangements identified, but two new improvement recommendations made.	A	No significant weaknesses in arrangements identified, but two improvement recommendations made.

G No significant weaknesses in arrangements identified or improvement recommendation made

A No significant weaknesses in arrangements identified, but improvement recommendations made

R Significant weaknesses in arrangements identified and key recommendations made

Executive summary



Financial sustainability

The Council had effective arrangements in place during 2021/22 for managing risks to financial sustainability, although there may have been scope for taking a more holistic approach towards managing costs in the People Directorate as they began to rise. Broadly, for 2021/22, we note that the Council incurred an underspend; delivered savings year on year; increased the balance on the General Fund; and saw commercial investment properties at least hold their value.

There were significant weaknesses within arrangements for financial sustainability in 2022/23. For 2022/23, the Council incurred a net overspend; reduced the balance on the General Fund to almost the minimum prudent level; delivered savings but faced increasing difficulty with savings in the following period; and saw commercial investment properties fall in value. We raise one Key Recommendation in respect of 2022/23 on page 13 of this report. We note that one of our 2020/21 Improvement Recommendations on page 22 of this report has been widened and still applies.



Governance

The Council has effective arrangements in place for risk management; internal control; and budget setting and monitoring. At the time of writing this report, the accounts and audit timetables for 2021/22 and 2022/23 were still under review but likely to be affected by new Government arrangements for a backstop.

The Council has effective arrangements in place for making properly informed decisions and for upholding standards and compliance. At the time of writing this report, there were no open objections to the accounts.

We make one Improvement Recommendation around updating the Constitution. We note that two of our 2020/21 Improvement Recommendations still apply, refer to page 23 of this report.



Improving economy, efficiency and effectiveness

Overall, performance against the Council's own targets declined in the years under review and there are some areas of consistent under-performance year on year. The Council does have an effective system in place for assessing and evaluating performance, but there may be scope for closer scrutiny of correlation between budget performance and service performance; considering trends over time; and for benchmarking spend against peers as well as benchmarking service performance.

The Council is undertaking work to strengthen arrangements for procurement and contract management. We raise one Improvement Recommendation around the need to report waivers to Members.



Financial statements

2021/22 and 2022/23

The accounts and audit timetable for both years is still under review but likely to be affected by new Government arrangements for a backstop.

We wrote to your Section 151 Officer in January 2024 to inform of the latest position.



Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.</p>	We did not issue statutory recommendations during or in respect of 2021/22.	We did not issue statutory recommendations during or in respect of 2022/23.
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	We did not issue a Public Interest Report during or in respect of 2021/22.	We did not issue a Public Interest Report during or in respect of 2022/23.
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	We did not apply to the Court during or in respect of 2021/22.	We did not apply to the Court during or in respect of 2022/23.
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	We did not issue an advisory notice during or in respect of 2021/22.	We did not issue an advisory notice during or in respect of 2022/23.
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	We did not apply for judicial review during or in respect of 2021/22.	We did not apply for judicial review during or in respect of 2022/23.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

West Berkshire Council reports on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 21.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the Covid-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape



Local context

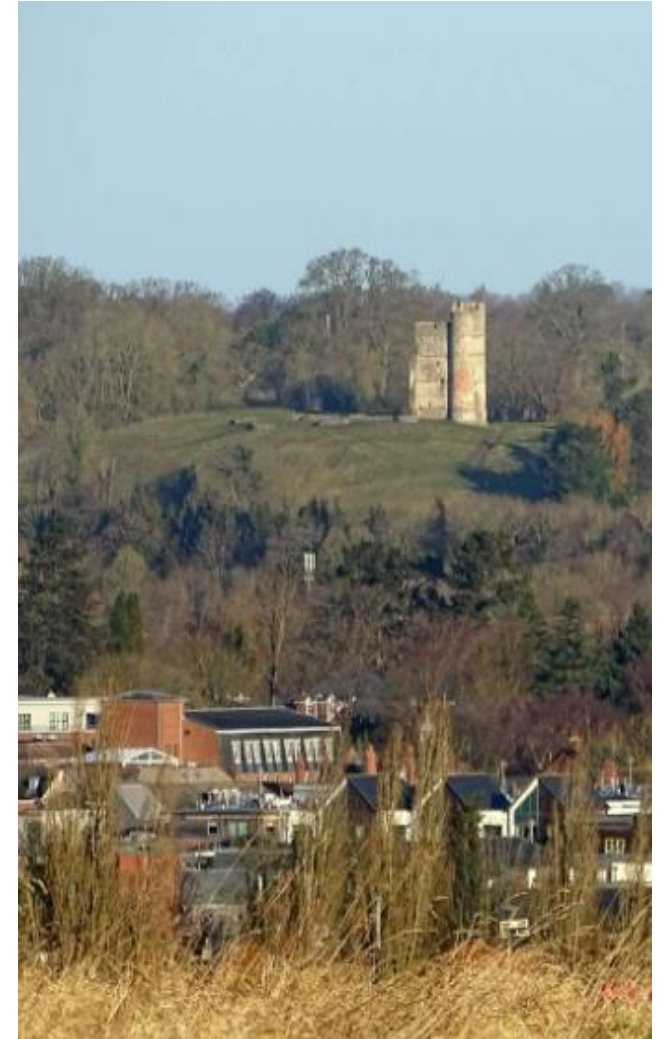
West Berkshire Council was created after the separation of Berkshire County Council in 1998. It is now one of six unitary authorities in Berkshire. The region covered by the Council spans 272 square miles, the largest urban areas included are Newbury and Thatcham where 44% of residents live. The estimated population of West Berkshire is 162,215 which is one of the least densely populated of the South East's local authority areas. 22.7% population are aged 18 or under and 19.9% are aged 65 or over.

West Berkshire spans over half of the geographical area of Berkshire county and covers a predominantly rural area. Nearly three quarters of West Berkshire is classified as part of the North Wessex Downs Area of Outstanding Natural Beauty. Most of the district and its population are located in the Area of Outstanding Natural Beauty north of the River Kennet. Furthermore, there are 51 sites of Special Scientific Interest across West Berkshire which hold national importance for animal and plant life.

The Council provides over 700 statutory services to residents and businesses. It consists of 43 councillors split across 24 electoral wards. Each ward can be represented by up to three councillors. Councillors are elected every four years, and the Authority has adopted a leader and cabinet model (where the cabinet is named as the Executive) since 2001. Following the local elections held in May 2023, West Berkshire is a liberal democrat run authority. Prior to this, the Council was conservative led from 2005-2023. The current political organisation is split 28 Liberal Democrats, 11 Conservatives, 2 Green Party, 1 Labour and 1 Independent Councillor.

During 2022/23 the Council released a new four-year Strategy and Delivery Plan which sets out intended initiatives in support of five key priorities:

- Services West Berkshire are proud of (a transformation plan for the infrastructure of the Council)
- A fairer West Berkshire with opportunities for all (prioritisation of Adult Social Care, Children and Family Services, Education attainment results and Affordable Housing)
- Tackling the climate and ecological emergency (to achieve Net Zero by 2030)
- A prosperous and resilient West Berkshire (regeneration of Bond Riverside and the construction of a new community sports stadium)
- Thriving communities with a strong local voice (plan for renewal of Council-owned leisure facilities, involvement of new Youth Council).



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identifying financial pressure and achievable savings plans

For 2021/22 West Berkshire Council recorded a revenue account surplus of £0.2 million. For 2022/23, by contrast, the Council recorded a small net overspend of £0.77 million.

For both 2021/22 and 2022/23, the Council voluntarily decided not to maximise its council tax and adult social care precept rates. For 2022/23, the resulting reduction in collectable amounts may have been one of the deciding factors that turned a potential small underspend into an actual small net overspend. However, there were other factors at play in 2022/23 as well.

Council data indicates that the key drivers of the 2022/23 overspend were inflation; and a £4.5 million overspend in the People Directorate, mainly because of rising spend on Children and Family Services; Adult Social Care; Home to School Transport; and disability support packages. The small net overspend for the Council of £0.77 million was calculated after allowing for planned and additional contributions from reserves of £7.94 million over the course of the year to balance the 2022/23 budget.

West Berkshire Council had a good track record in 2021/22 and 2022/23 of delivering around 77% of its planned savings year on year. However, recent Council data indicates that savings have become more difficult to achieve since the end of 2022/23 whilst, at the same time, the need to make savings is rising.

For 2021/22, the Council planned savings of £3.6 million and delivered savings of £2.8 million by the year end (77%). For 2022/23, the Council planned savings of £5.3 million and delivered savings of £4.1 million by the year end (77%). For 2023/24, the Council planned savings of £9.1 million but by February 2024, only 55% of those savings were RAG rated Green. Furthermore, for 2024/25, the Council has set itself an even more difficult savings target of £14.5 million in one year.

Overall, arrangements for identifying financial pressure and achievable savings plans were effective in 2021/22. However, using reserves of £7.94 million to balance the budget in 2022/23 resulted in the General Fund falling from £12.9 million to £7.2 million in one year (leaving it just £0.2 million above the minimum prudent amount of £7 million). Financial performance has become even more challenging since the end of 2022/23.

	2022/23 £ million
Planned use of reserves in 2022/23 to support the revenue account budget	4.00
Additional use of reserves in 2022/23 to support the revenue account budget	3.94

	Under/ (over) spend £ million
2021/22 underspend	0.2
2022/23 net overspend	(0.77)
General Fund minimum prudent balance 31 March 2023	7
General Fund actual balance 31 March 2023	7.2

Financial sustainability

Consistent planning for the sustainable delivery of services

West Berkshire Council had effective arrangements in place in 2021/22 and 2022/23 for producing annual treasury, investment and capital strategies. The Council also periodically updates a workforce strategy.

The pressures seen in 2022/23 outturn around the People Directorate started in 2021/22 and have continued to grow since. The 2023/24 Quarter 3 Financial Monitoring report forecasts an £8.4 million overspend in the People Directorate for 2023/24.

The Council takes a corporate approach towards spending control, which is positive. In July 2023, following the overspends of 2022/23 and in view of new emerging overspends for 2023/24 (total 2023/24 overspend for the Council forecast at that time to be £6.3 million), the Council set up a Financial Review Panel to oversee new spending measures. The spending measures included:

- Greater scrutiny and approval of expenditure over £1,000;
- Review of action plans by overspending services to provide mitigations to overspends;
- Review of the flexible use of capital receipts and seeking to raise funding through capital receipts to fund eligible transformation spend; and
- Greater in-year budget monitoring review of overspending services.

The Financial Review Panel consists of the Chief Executive, Executive Director Resources, Service Director of Transformation, Heads of Finance and Property, Legal and Human

Resources representatives, the Leader, the Deputy Leader, and the Portfolio Holder for Finance. Arrangements have also been introduced to pause recruitment and for all spend over £1,000 to be approved by a separate Spending Review Panel consisting of the Chief Executive, Executive Director Resources, and the Heads of Finance and Property.

At first, the new spending measures put in place for 2023/24 had a rapid impact. By the end of 2023/24 Quarter 2 the forecast overspend for the Council had nearly halved – falling from £6.3 million to £3.3 million. By the end of 2023/24 Quarter 3 however, only a marginal further improvement had been achieved – the forecast overspend for the year had fallen to £3.2 million. Furthermore, Council data shows that this £3.2 million overspend is expected to be after allowing for a separate additional draw on reserves of £0.6 million.

At the Governance Committee on 25 September 2023, we expressed concern that wider financial planning measures may be needed to tackle overspends and falling reserves in the medium term. We repeated this in writing in a letter to the Chief Executive of the Council on 26 September 2023.

Our 2021/22 Auditor's Annual Report raised an Improvement Recommendation around sufficiency statements in the Children and Family Service and the importance of aligning sufficiency assessments with the medium-term financial strategy. **Year on year overspends are building up across all the People Directorate though, not just in Children's services. High social care placement costs and high costs of agency staff are having an impact across the whole Directorate. Rising home to school transport costs are also an issue. Managing spend across the whole Directorate will be an issue going forward, as we note on page 22 of this report.**

	People Directorate overspend £ million	Children and Family Services overspend £ million	Adult Social Care overspend £ million	Education and other services total overspend £ million
2021/22	1.6	1.2	0.4	
2022/23	4.5	1.6	1.2	1.7
2023/24 (forecast)	8.4	3.7	2.0	2.7

Financial sustainability

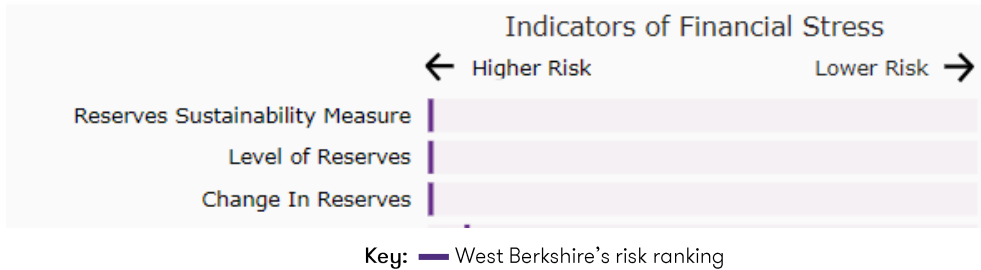
Managing financial resilience

Reserves

The General Fund increased from £12.1 million to £12.9 million over the course of 2021/22. However, it fell to £7.2 million over the course of 2022/23, ending the year at 5% of net revenue expenditure for 2022/23, and just £0.2 million higher than the estimated minimum prudent amount.

In February 2024, when the medium-term financial strategy for 2024/25 to 2027/28 was prepared, the Council estimated that it now holds some of the lowest Council reserves in England. This is consistent with the high risk rating the CIPFA resilience indicator attributes to West Berkshire's reserves for 2022/23 (Figure 1).

Figure 1: Indicators of Financial Distress (Source: CIPFA Resilience Index 2022/23)



For the next four years, the Council has forecast a budget gap of £30 million. With the General Fund critically low, there is very little margin in the reserves to help absorb this.

Investments and borrowing

2022/23 saw a significant fall in the value of commercial investment properties that had been purchased with the intention of contributing to the revenue account.

Since 2017, the Council has invested some £62 million in commercial property (£58.6 million property costs plus £3.4 million purchase fees). The Council financed this investment using maturity loans with a weighted average interest rate of 2.46%. By November 2023, the principal balance on the loans of £62 million was still an outstanding debt. However, the value of the properties was estimated to have fallen to £51.4 million, ie less than the amount owed on them.

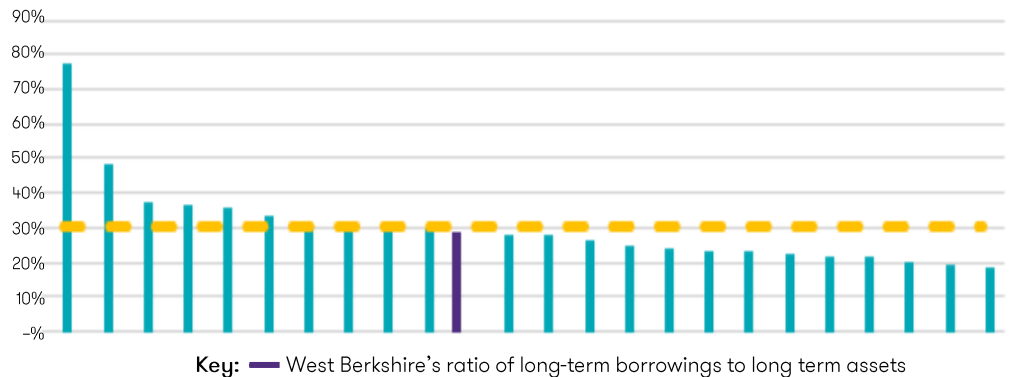
There have been no new purchases of investment properties since March 2019 and the Council estimates that income from the properties made an average net annual contribution to the revenue budget (after debt financing costs) of around £1.2 million.

However, the Council also recognises that for 2022/23, because of the falling value of the properties, there was an overall negative contribution to the Council's treasury position. We note that only two of the eight properties that the Council holds are in the Council's borough.

The investment properties are not the Council's only assets purchased with debt. In the Capital Strategy for 2020/21 to 2022/23, some 45% (£47 million) of the planned capital spend for three years was intended for debt financing. Whilst the capital programme did see slippage in 2021/22 and 2022/23 (24% and 34% respectively), benchmarking we carried out for 31 March 2023 shows that the Council still has a relatively high ratio of long-term debt to long term assets of all unitary authorities in England at the end of 2022/23 (Figure 2).

Council data shows that the estimated loss in value of commercial investment properties occurred during 2022/23, as a result of market conditions changing during the year. We note that an investment strategy review was carried out by the Council in November 2023 and recommended a programme of disinvestment going forward – recommending that capital receipts be used to avoid the financing costs of taking out any additional new debt.

Figure 2: Long term borrowings as a ratio of long-term assets (Source: Grant Thornton review of draft accounts)



Financial sustainability

Conclusion on financial sustainability

The Council had effective arrangements in place during 2021/22 for managing risks to financial sustainability, although there may have been scope for taking a more holistic approach towards managing costs in the People Directorate as they began to rise. Broadly, for 2021/22, we note that the Council incurred an underspend; delivered savings year on year; increased the balance on the General Fund; and saw commercial investment properties at least hold their value.

There were significant weaknesses within arrangements for financial sustainability in 2022/23. For 2022/23, the Council incurred a net overspend; reduced the balance on the General Fund to almost the minimum prudent level; delivered savings but faced increasing difficulty with savings in the following period; and saw commercial investment properties fall in value.

In respect of 2022/23 we raise a Key Recommendation on page 13 of this report.

The Council has a joined-up approach towards driving through spending controls and a clear corporate commitment to reducing overspends. However, demand-led issues in the People Directorate may mean that a wider approach towards transformation is needed in the future. We note that overspends have been building-up in the People Directorate since 2021/22.

On page 22 of this report we note, with respect to 2021/22 and 2022/23, that managing rising demand for Adult Social Care and Education Services will be just as important as managing sufficiency for Children and Family services going forward.

	2021/22	2022/23
Under/overspend (net total for the Council)	Underspend	Overspend
Savings delivery in year > 70%	Yes	Yes
Continued savings delivery > 70% after year end	Yes	No
Consistent approach to financial planning	Yes But holistic approach to People Directorate needed going forward	Yes But holistic approach to People Directorate needed going forward
General Fund increased / decreased during the year	Increased	Decreased
Significant commercial property losses of value during the year	No	Yes

Key recommendation



Financial sustainability

Recommendation

The Council must monitor its financial position and the impact of spending controls closely. As a priority, the Council should consider all possible options, including those that focus on People Directorate contract spend but also other areas of the revenue account where efficiencies may be possible.

Options under current discussion include disinvestment from capital assets with negative equity values. It will be important that any exit strategy adopted by the Council is supported by professional advice, reviewed regularly, and is subject to appropriate scrutiny and challenge.

Audit year

2022/23

Why/Impact

The Council has some of the lowest reserves and highest debt to asset ratios in England. It has debts of £62 million associated with properties that are only worth £51 million. The Council incurred a small overspend in 2022/23 and is forecasting an overspend again in 2023/24, despite spending controls having been adopted. For the next four years, the Council forecasts a £30 million budget gap.

Auditor judgement

Significant weakness in arrangements for financial sustainability.

Summary findings

High debts, falling property valuations and low reserves will make it difficult for the Council to absorb the overspends it is forecasting.

Management comments

The Council continues to monitor spending closely with high levels of control and has a Transformation programme in place to help seek out further efficiencies. The Financial Review Panel remains in place through into the 2024-25 financial year. Any property disposals from Commercial property come to the Executive for approval and are subject to professional external advice.



The range of recommendations that external auditors can make is explained in Appendix B

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Monitoring and assessing risk

The Council has effective arrangements for monitoring and assessing risk.

Our 2021/22 Auditor's Annual Report outlined that the Council has effective arrangements in place for maintaining a corporate risk register and for sharing it on a quarterly basis with the Governance and Ethics Committee**. We recommended that risk owner names be added to the risk register and that the register be included in public papers on the Council website.

The arrangements for maintaining the register and for quarterly reporting risk to those charged with governance continued throughout 2021/22 and 2022/23. From a review of the 2022/23 Quarter 4 risk register, we can see that risk owner names are now disclosed in the register. From a review of Governance Committee papers from January 2024, we can also see that the risk register is now included in public papers on the Council website.

Gaining assurance over control

The Council has an effective Internal Audit and Counter Fraud function in place. In June 2023, CIPFA conducted an external assessment of the Internal Audit function, the results of which were reported to the Governance Committee in November 2023. CIPFA confirmed that the Internal Audit function 'Fully Conforms' with the Public Sector Internal Audit Standards (PSIAS) requirements. This is the highest category of compliance that CIPFA awards.

** Governance and Ethics Committee was re-named as the Governance Committee from March 2023, as part of the review of the Constitution.

For both 2021/22 and 2022/23, the Head of Internal Audit concluded that reasonable assurance could be provided over the Council's governance, risk management and control framework.

Review of Annual Governance Statements

The Annual Governance Statement highlights key issues for focus facing the Council every year and records how those issues move on over time.

From a review of the Annual Governance Statements for 2021/22 and 2022/23, we see that issues from 2020/21 around the Council's capacity to manage projects remained issues during 2021/22 but were then addressed by an increase in project management capacity.

The need to review the governance structure (to enhance operational effectiveness) was first flagged as a new issue in the 2021/22 Annual Governance Statement and remained an issue in the Statement for 2022/23. The Council noted that a new, more steam-lined, structure was consulted on and approved in 2022/23 and was due to be implemented by December 2023. For 2021/22 and 2022/23, the existing governance framework continued to be used and was effective.

We note that the 2022/23 Annual Governance Statement highlighted the following other issues for focus, in addition to a review of the governance structure: Financial resilience; staff recruitment and retention; and transformation.

Governance

Budget setting and monitoring

The Council has effective processes in place for budget setting and monitoring. The Council prepares and approves the revenue budget on an annual basis through the Executive and its Members. The presentation of the budget allows Members to review and, where necessary, challenge the assumptions within it.

Consideration of different scenarios is set out to the Executive within the medium-term financial strategy documents. For both 2021/22 and 2022/23, best case and worst-case scenarios were shared with the Executive for:

- Council tax base changes;
- Council tax referendum levels;
- Adult Social Care precept;
- Business rates reset;
- Fair funding review;
- New Homes Bonus planning;
- Inflation and pay award; and
- Capital financing costs.

Revenue Financial Performance Reports (budget monitoring reports) and Capital Financial Performance Reports (capital outturn monitoring reports) are presented to the Council's Executive Committee on a quarterly basis. The revenue budget monitoring reports presented to the Executive included consideration of trends, explanations around variances and separate reporting on progress against savings plans. The Capital Financial Performance Reports (capital outturn) included slippage and analysis of contributing factors.

Financial reporting

At the time of writing this report, the timetable for auditing the Council's Statements of Account for 2021/22 and 2022/23 was under review but likely to be impacted by the new Government arrangements for a backstop.

Our audit of the 2021/22 Statement of Accounts commenced in early 2023 but paused in April 2023 when we identified a significant number of assets that required revaluation.

Our 2020/21 Auditor's Annual Report included an Improvement Recommendation that the Council strengthens its finance team processes by removing the need for manual reporting outside of the core finance system and providing relevant training. At the time of our last external audit visit, this had not yet been implemented. There were still manual systems in place outside the ledgers. Our Improvement Recommendation is repeated on page 23 of this report.

We note that there were no open objections to the accounts at the time we completed our work.

Making properly informed decisions

For 2021/22 and 2022/23 arrangements were in place for the Council to ensure that all relevant information was provided to decision makers on the Executive Committee before major decisions were made and for challenge of key strategic decisions before they were taken.

West Berkshire Council operates an Executive (cabinet) and Leader model of governance, supported by several committees. The Council publishes on its website details of all committees and full Council meetings, and this includes the agendas, minutes and decisions made.

The Council has effective arrangements in place for any disputed decisions to be called in for review by the Overview and Scrutiny Management Commission for review before implementation if required.

Standards and compliance

Our 2020/21 Auditor's Annual Report recommended that the Council reviews, updates, and agrees a Members' Code of Conduct and a separate Officers' Code of Conduct. Codes of Conduct reviewed when we completed this report were dated 2019. Our improvement recommendation has therefore not yet been implemented.

The best-practice governance review in 2021/22 and 2022/23 included a review of the Constitution. The Council assesses that this is now substantially complete. The Constitution was updated in April 2023, but the Council's website shows, in February 2024, that the existing ('Old Constitution') and the revised ('New Constitution') versions are divided into numbered Parts and used alongside one another. **We raise an Improvement Recommendation that a single Constitution be adopted by the Council.**

Improvement recommendation



Governance

Improvement recommendation 1

Work to update the Constitution should be completed so that a single Constitution can be adopted by the Council. Separate parts should be merged. This should be completed as part of the ongoing review of governance.

Audit year

2021/22 and 2022/23

Why/Impact

The Council is in the process of updating its Constitution. The Council's website shows, in February 2024, that the existing ('Old Constitution') and the revised ('New Constitution') versions are divided into numbered Parts and used alongside one another.

We note that a wider review of governance is also ongoing, with new frameworks due to be adopted.

Auditor judgement

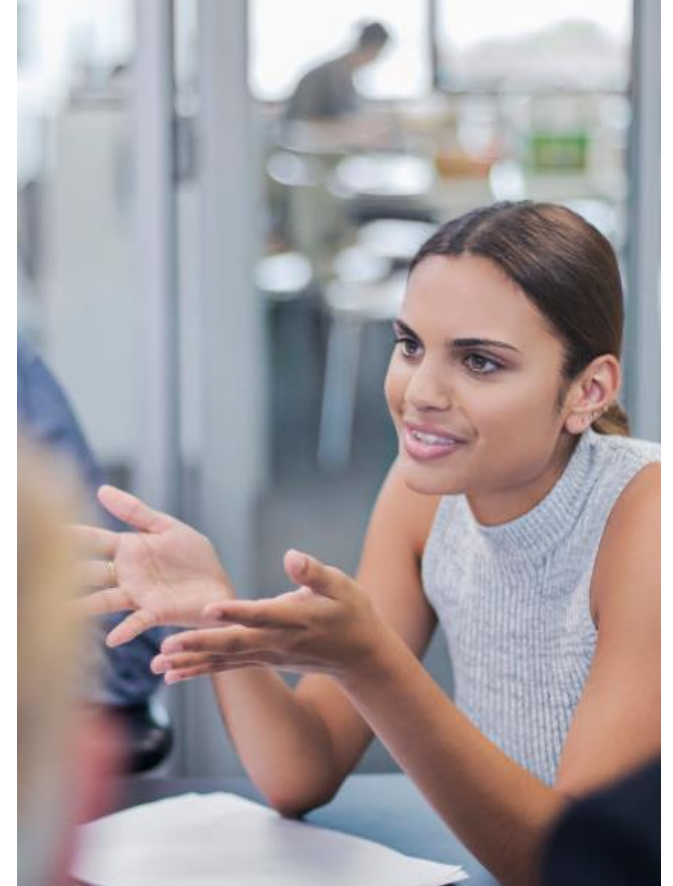
Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Summary findings

Work to update the Constitution needs to be progressed.

Management comments

The Constitution task group has re-commenced its meeting programme and the Constitution will be consequently updated and brought together with the same search and access abilities.



The range of recommendations that external auditors can make is explained in Appendix B

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Using financial and performance information to assess performance and evaluate services

On a quarterly basis, the Council’s Executive Committee receives Revenue and Capital Financial Performance Reports and Performance Reports that cover core business and Council improvement measures.

We reviewed Quarter 4 Performance Reports in detail for 2021/22 and 2022/23. We compared these to the 2020/21 Quarter 4 Performance Report and noted that in at least three key areas, performance has been RAG rated Red three years running:

- % of Children in Care where the child has been visited in the past 6 weeks (or 12 weeks if this is the agreed visiting schedule);
- % of provider services inspected by Care Quality Commission (CQC) and rated as good or better; and
- Maintaining a "Good" level of litter, detritus and graffiti.

We note that in all three years, council tax collection rates remained below target as well, although overall rates of collection were improving year on year and by 2022/23, the slippage against target was marginal enough for the Council to classify it as Amber performance rather than Red.

For Children’s Services visits indicators, we note that although the Council has RAG rated its key performance indicator as Red, face to face visit rates were automatically impaired for a long time by Covid-19 restrictions. When Ofsted inspected the service in March 2022, it ranked the overall effectiveness of the service as “Good”.

	2020/21	2021/22	2022/23
% of children in care where the child has been visited in the past 6 weeks (or 12 weeks if this is the agreed visiting schedule).	Red	Red	Red
% of provider services (adults) inspected by Care Quality Commission (CQC) and rated as good or better.	Red	Red	Red
Maintain a ‘good’ level of litter, detritus and graffiti.	Red	Red	Red
Council tax collected as a percentage of council tax due.	Red (95% collected compared to a target of 98.8%)	Red (97.3% collected compared to a target of 98.8%)	Amber (97.9% collected compared to a target of 98.8%)

Improving economy, efficiency and effectiveness

For the adult provider inspections indicator, we note that it was CQC's Requires Improvement rating for the Council-run Birchwood Nursing Home that impacted adversely on performance for the last two years. The Council and the nursing home have been working with CQC for more than a year now to build performance back up. In February 2022, well led arrangements at the home were graded as "Inadequate" by CQC. By February 2023, they were graded as "Requires Improvement".

The Council's performance reports include a good balance of statistical metrics and narrative explanations; benchmarking of service performance against all authorities delivering similar relevant functions; and analysis of underlying influencer measures, which show underlying demographic, economic and social trends over time.

For the core performance measures themselves however, the reports do not include year on year comparisons. From comparing the three reports, we find that for some indicators (for example around planning), performance deteriorated over the three years.

Although the performance reports are published in Executive papers alongside financial reports, they do not explicitly compare trends in performance with relative trends in finance or with benchmarking of spend against nearest neighbours.

From the outturn reports for both 2021/22 and 2022/23, we have already noted that both Children's Social Care and Adult Social Care (areas with Red RAG rated performance) incurred more expenditure than planned in both years, although outturn reports shared with the Executive are not explicit enough to assess whether costs for individual activities, such as child visits, were higher than budgeted.

From Grant Thornton insights data (CFOi), for 2022/23, we note that spend on street cleaning (another area with Red RAG rated service performance), was very high compared to peers.

Overall, performance against the Council's own targets declined in the years under review and there are some areas of consistent under-performance year on year. The Council does have an effective system in place for assessing and evaluating performance, but there may be scope for closer scrutiny of correlation between budget performance and service performance; considering trends over time; and for benchmarking spend against peers as well as benchmarking service performance against peers. We raise an Improvement Recommendation in this report.

Source: West Berkshire Council Performance Reports	2020/21	2021/22	2022/23	Direction of travel 2020/21 to 2022/23
Number of planning team indicators RAG rated Red	0/3 NIL	2/4 50%	4/4 100%	↓

Source: Grant Thornton insights (CFOi)	2022/23 £'000s	Unit cost £	Unit cost score
Street cleaning (not chargeable to highways) £/head	3,025	18.65	Very high

Improving economy, efficiency and effectiveness

Partnerships

West Berkshire Council does not have any group undertakings and does not use any shared services.

Our 2020/21 Auditor's Annual Report highlighted that the Council developed a series of new strategies in 2020/21 aimed at enhancing partnership working and innovation – these included a Workforce Strategy, Community Engagement Strategy, a Tenancy Strategy, and a Digital Strategy. From our review of minutes, Internal Audit reports and draft annual governance statements, we have not identified any issues with these strategies in 2021/22 or 2022/23 and we have no observations to report. We note that the Workforce Strategy is in the process of being updated.



Procurement and contract management

Our 2020/21 Auditor's Annual Report highlighted that the Council plans to strengthen arrangements for procurement and contract management by introducing a two-year plan to develop a common process for procurement in all directorates; moving all directorates onto an e-portal; introducing enhanced reporting to the Procurement Board and to the Corporate Board; creating new posts; and strengthening central commissioning team oversight of contract management in directorates.

A new Procurement Strategy was adopted by the Council in October 2023. It indicates that the planned work is still ongoing. The strategy outlines that:

- the Procurement department is working towards creating defined processes and procedures in order to provide a framework for contract managers to operate within, to ensure consistency across the Council. Once these standards are in place, responsibility for contract management will remain within the service areas; and
- The Council has secured funding of £6,000 per person for 10 staff in key areas within the Council who have contract management responsibilities to attend the Government Contracting and Commercial Contract Management Practitioner Programme which will build on learning from Foundation and Beyond Foundation courses and will support the relevant service areas in developing contract management practices.

This is a positive direction of travel. For the years under review in this report, we note that there were twenty waivers in 2021/22 and 23 waivers in 2022/23. During 2021/22 and 2022/23 waivers were captured on the Council's contracts register. Arrangements were introduced in 2023/24 to report waivers to the Procurement Board but there are no arrangements yet for reporting to the Governance Committee. Waivers reporting gives Members charged with governance an important insight into the effectiveness of arrangements for compliance with contract procedure rules. **We raise an Improvement Recommendation around strengthening waivers reporting to Members at the same time as strengthening other aspects of the arrangements for procurement and contact management.**

Improvement recommendation



Improving economy, efficiency and effectiveness

Improvement recommendation 2

The Council should consider whether there is scope for enhancing key performance indicator reporting by including trends over time; correlation between budget performance and service performance; and benchmarking spend against peers. These additional insights may be beneficial where performance indicators are below target or declining over time.

Audit year

2021/22 and 2022/23

Why/Impact

Performance against the Council's own targets declined in the years under review and there are some areas of consistent under-performance year on year. Additional insights may be beneficial.

Auditor judgement

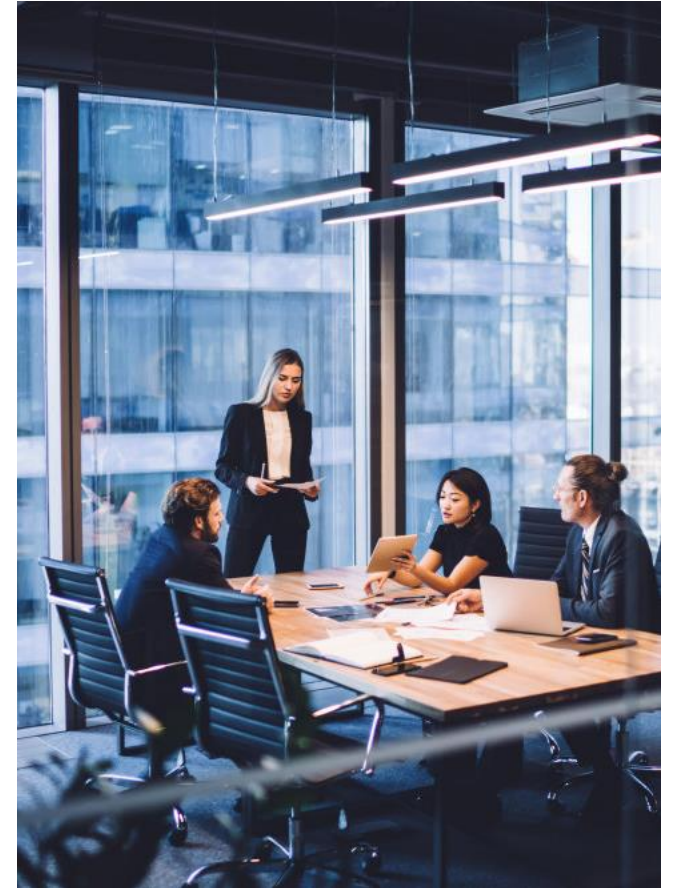
Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Summary findings

Performance against the Council's own targets declined in the years under review and there are some areas of consistent under-performance year on year. There may be scope for strengthening performance reporting tools.

Management comments

The Council, for 2024-25, is implementing an Activities Based Budgeting approach to bring together benchmarking data aligning service performance and financial comparative spend. The Council does use benchmarking data in its budget setting processes against peer authorities.



The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendation



Improving economy, efficiency and effectiveness

Improvement recommendation 3

Contract procurement waivers should be regularly reported to the Governance Committee.

Audit year

2021/22 and 2022/23

Why/Impact

Arrangements have been introduced for reporting waivers to the Procurement Board but not yet to the Governance Committee. Waivers reporting gives Members charged with governance an important insight into the effectiveness of arrangements for compliance with contract procedure rules.

Auditor judgement

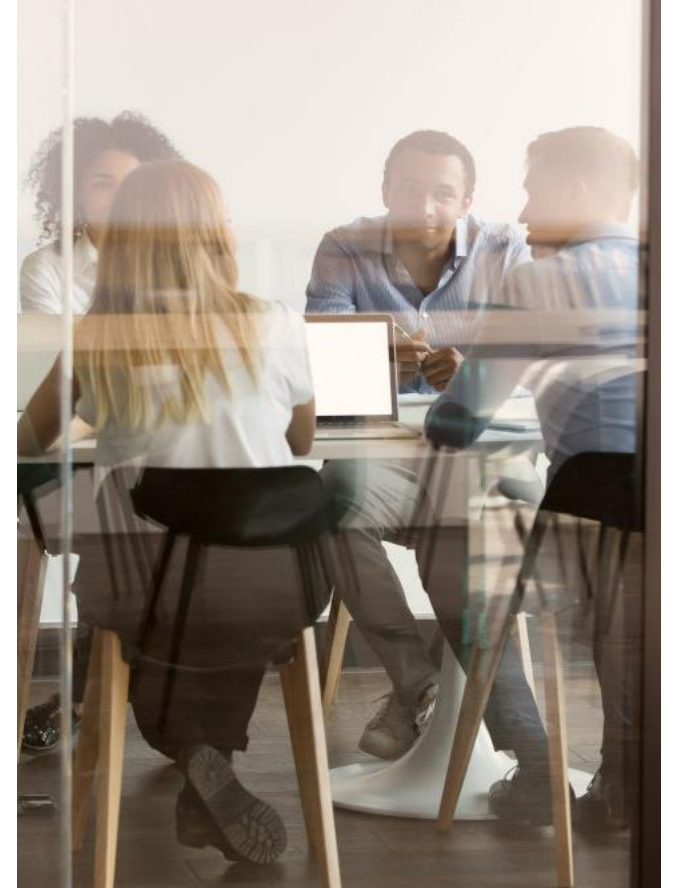
Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Summary findings

There were 20 waivers in 2021/22 and 23 waivers in 2022/23. These were not reported to the Governance Committee.

Management comments

These waivers will be included in future reports to the Executive (rather than the Governance Committee) as part of their remit for forthcoming contract level approvals.



The range of recommendations that external auditors can make is explained in Appendix B

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	We recommend the Council conducts a review of its Property Investment Strategy.	2020/21 Improvement recommendation	September 2023	The Council conducted a Property Investment Strategy Review in November 2023. The review recommended disinvestment from commercial properties over the medium term. The properties are now worth less than the debts associated with them.	In progress	Yes We raise a key recommendation (page 13) around the need for any exit strategy adopted by the Council to be supported by professional advice; reviewed regularly; and subject to appropriate scrutiny and challenge. We recognise that professional advisers have been engaged to assist.
2	We recommend the Council reviews and updates the Sufficiency Statement for Children, Young People and Families 2023 – 2026 to: Include an assessment of the financial impact to the Council of increasing demand within CFS..... (and).....describe the Council's governance arrangements to monitor the effectiveness of Sufficiency Statement for Children, Young People and Families 2023 – 2026.	2020/21 Improvement recommendation	September 2023	Demand for People services has continued to rise in 2021/22 and 2022/23 – leading to overspends and sufficiency issues not only for the Children and Family Service but for the other key areas of the People Directorate as well – Adult Social Care and Education Services.	N/A This recommendation has been widened to recognise that sufficiency, demand and rising costs are also issues for other areas of the People Directorate.	Yes The new management team in this directorate are reviewing the growth in demand with options for preventative work and in year cost reductions.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	We recommend the Council enhances oversight and transparency of its risk management activities.	2020/21 Improvement recommendation	September 2023	Risk owner names are now disclosed in the risk register. The risk register is now included in public Governance Committee papers.	Yes	No
4	We recommend the Council reviews, updates, and agrees a Members Code of Conduct and a separate Officers Code of Conduct.	2020/21 Improvement recommendation	September 2023	Codes of Conduct reviewed when we completed this report were dated 2019. Our improvement recommendation has therefore not yet been implemented.	No	Yes This will be implemented as part of the next section of the Constitution that is being reviewed.
5	We recommend the Council strengthen its finance team processes by: <ul style="list-style-type: none"> the optimisation of the finance system to remove the need for manual reporting outside of the core finance system. assessing the training needs of the finance team officers. 	2020/21 Improvement recommendation	September 2023	Manual reporting systems were still in use outside the ledger at the time of our last external audit visit. Our improvement recommendation has therefore not yet been implemented.	No	Yes This will be further reviewed as part of future external audit assessments.

Opinion on the financial statements for 2021/22 and 2022/23



Audit opinion on the financial statements

The accounts and audit timetable for both years is still under review but is likely to be affected by new Government arrangements for a backstop.

Following discussion between the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (the FRC) and the National Audit Office (NAO), DLUHC is proposing a backstop date for all unaudited accounts (up to and including 2022/23) of 30 September 2024. We understand this proposal has been approved by the Minister, Simon Hoare.

DLUHC have now issued their consultation on these proposals with the deadline for responses of the 7 March 2024. Consultation is expected to be followed by a change in legislation, in the form of an amendment to the Accounts.

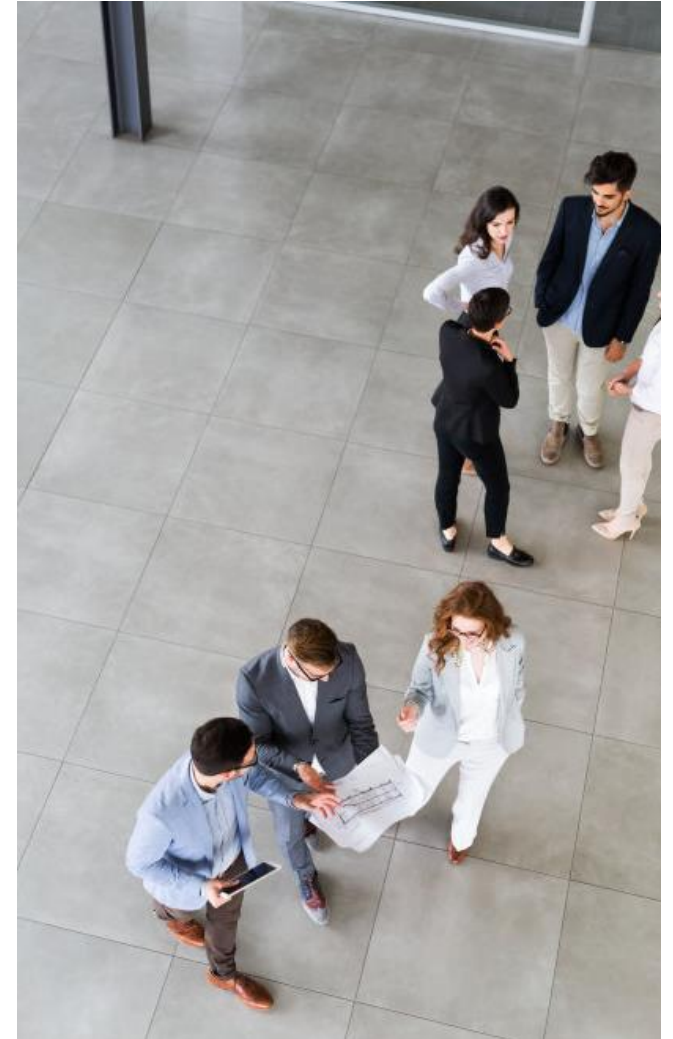
We wrote to the Section 151 Officer in January 2024 to inform of the latest position.

In our view, it is not possible to complete the audit of your 2022/23 accounts by the 30 September 2024, and, under the current proposals, these accounts would need to be disclaimed.

Where accounts are disclaimed the auditor is required by auditing standards to undertake an opening balances audit. Assuming your 2022/23 accounts are disclaimed, your new auditors will undertake an opening balances audit on the 2023/24 financial statements. This will reduce the level of qualification of the 2023/24 opinion.

The use of the backstop for 2022/23 will allow your new auditors to make a timely start on the 2023/24 audit once draft accounts have been made available. The deadline for production of your 2023/24 draft accounts is 31 May 2024.

We note that 2022/23 is our last year as the appointed auditor of West Berkshire Council.



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

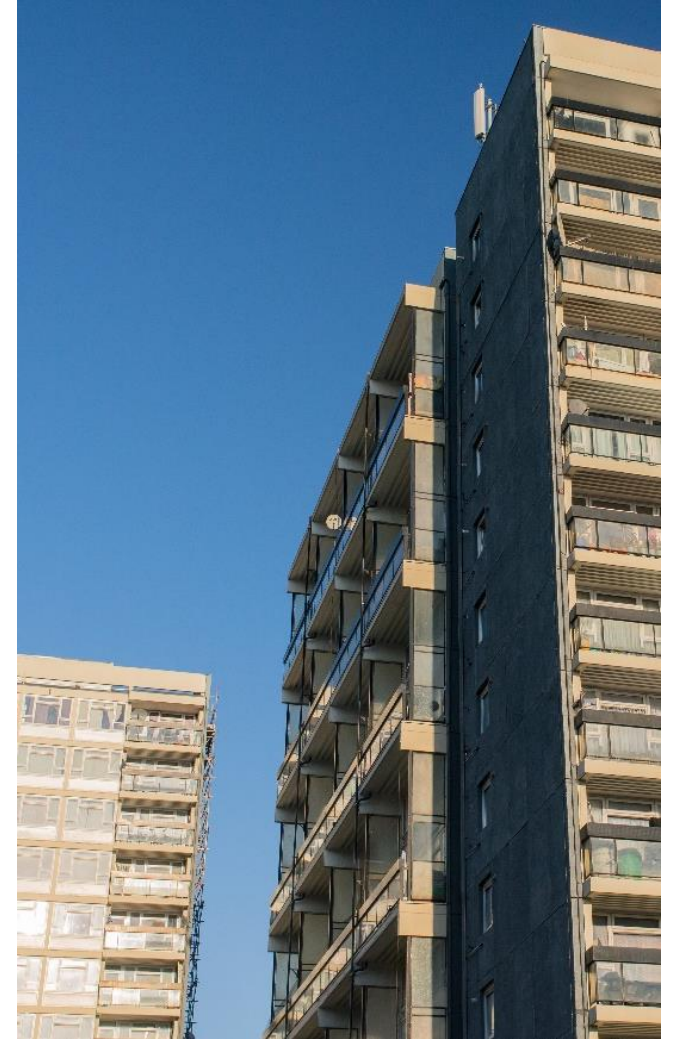
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the [type of body]'s ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by Government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the [type of body]’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the [type of body] under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	NA
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	13
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	16, 20, 21





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CIPFA Financial Management Code

Committee considering report:	Governance Committee
Date of Committee:	16 April 2024
Portfolio Member:	Councillor Iain Cottingham
Date Portfolio Member agreed report:	10 January 2024
Report Author:	Joseph Holmes

1 Purpose of the Report

- 1.1 The CIPFA (Chartered Institute of Public Finance & Accountancy) FM (Financial Management) Code has been in its current format since 2020-21 and forms part of the support available to build a sustainable financial future. The Code is based on a variety of good practice statements and is supported by a significant amount of guidance notes. The Council, through its Finance & Governance Group, has reviewed a self assessment against the CIPFA FM code for the 2023-24 financial year. This self assessment will likely be used by the Council's external auditors as part of their Value for Money work, but it is a helpful piece of work to undertake in its own right to highlight where the Council can improve and how it compares to the CIPFA FM code.
- 1.2 The self assessment review has highlighted four main areas for improvement against the following themes, with the other 13 themes of the code being assessed as green:
- The authority has carried out a credible and transparent financial resilience assessment
 - The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves
 - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget
 - The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions
- 1.3 This report has not been subject to external review yet but will be provided to our external auditors for this purpose, as well as potentially review by internal audit as well.

2 Recommendation

- 2.1 For members to comment on and note the report

3 Implications and Impact Assessment

Implication	Commentary			
Financial:	None directly other than the purchase of the FM code; however, the report does highlight a variety of improvements and specifically the need for the Council to improve its reserves position.			
Human Resource:	None directly			
Legal:	None directly			
Risk Management:	The assessment has highlighted the need to improve the Council's reserve position (which has been recognised in the quarterly revenue budget report to Executive as well as the forthcoming budget papers).			
Property:	None directly			
Policy:	None directly			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		No decision within the report

B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		See above
Environmental Impact:		X		None identified; report is a to note summary
Health Impact:		X		None identified; report is a to note summary
ICT Impact:		X		None identified; report is a to note summary
Digital Services Impact:		x		None identified; report is a to note summary
Council Strategy Priorities:		x		None identified; report is a to note summary
Core Business:	X			The completion of the CIPFA FM code self-assessment should assist core business is identifying areas for improvement
Data Impact:		X		None identified; report is a to note summary
Consultation and Engagement:	Finance & Governance Group			

4 Executive Summary

- 4.1 The Council, through the Finance & Governance Group (a group consisting of officers who meet to discuss governance issues arising and financial reporting / audit considerations), has reviewed a self assessment against the CIPFA (Chartered Institute of Public Finance & Accountancy) FM (Financial Management) Code. The code existed to set out the guidance for what best practice looks like in the sector for ensuring sustainable financial management.

4.2 The CIPFA FM Code has a variety of key themes (A to Q) that highlight 17 different areas of financial management (including leadership and governance). A self assessment against these themes has been undertaken (full details in appendix A) and has highlighted the following areas as areas for improvement (amber):

- F - The authority has carried out a credible and transparent financial resilience assessment
- K - The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves
- L - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget
- M - The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions

4.3 There are areas in all of the above where in year improvements are being made, these are the areas that still require further improvement, and have strong links with other assessments undertaken across the Council, for example the Annual Governance Statement. Given the Council's financial position, though there has been assessments of financial resilience and use of available tools, the very low levels of reserves do highlight this as an area that must be improved upon in order to achieve greater financial sustainability in the short and medium term.

4.4 The document is for members to discuss and the self assessment will be provided to the Council's external auditors (KPMG for 2023-24) as part of their Value for Money audit work.

5 Supporting Information

Introduction

5.1 The most recent CIPFA FM (Financial Management) Code was introduced in 2020 and it provides guidance for good and sustainable financial management in Councils. The code requires Councils to demonstrate that they've put in place the principles of good financial management. Councils are required to comply with the code (in a similar way to the prudential code), and this summary sets out the Council's latest self assessment against the principles of the code. The Council has completed a previous self-assessment and the Council's external auditors are expected to have focussed more on the Value for Money element of their audit in recent years with a change to the overall code of audit practice.

Background

5.2 The CIPFA FM code covers a wide range of themes. It is not focussed solely on finances and takes a wide view of financial management. Indeed, in the assessment areas A to Q, a large amount of them are focussed on issues of good governance, leadership and project management.

5.3 The self-assessment undertaken is supported by different forms of evidence from across the Council. The full self-assessment is included in appendix A, with the summary assessment included below in table 1.1. The assessment has been scored internally as green (fully complies), amber (partially complies) and red (does not comply).

- 5.4 The self assessment has highlighted areas for improvement. The main areas for improvements are strongly linked to the current financial position the Council faces and the Annual Governance Statement. Financial resilience is a key themes. The Council does have a transparent assessment and has included the CIPFA resilience index within the revenue budget papers since its inception, but given the very low levels of reserves that the Council currently, this is an area the Council can improve on highlighting risks and drivers of low financial resilience to leadership and decision makers. The forthcoming MTFS (Medium Term Financial Strategy) paper (to February Full Council) will highlight an increase in reserves of £6m over the life of the MTFS to improve financial resilience, but the current pressures in year and for 2024-25 have increased the risks the Council faces in ensuring its financial resilience with requesting exceptional financial support from Government.
- 5.5 Other areas for improvement are around engagement with key stakeholders and options appraisals. Compared to other Councils there has been a lot of engagement around the budget in recent years (and for 2024-25 there have been a variety of in person roadshows with the public as well as a budget consultation that closes on the 11th January 2024). This is an area that the Council are focussing on further and have used a stakeholder matrix to understand engagement focus further. The 2024-25 budget consultation has seen a significant level of response so in future years this assessment may well turn green.
- 5.6 In respect of option appraisals, this is an area highlighted in recent annual governance statements. A lot of work has been completed on putting in place new governance arrangements and the new boards overseeing project governance should be an enhancement to ensuring that options appraisals are being completed on a consistent basis and sharing more best practice across the Council.

Table 1.1: Summary of CIPFA FM Code

Area	Standards description	Assessment	Comments
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money		
B	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government (2016)</i>		
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control		
D	The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i>		

CIPFA Financial Management Code

E	The financial management style of the authority supports financial sustainability		
F	The authority has carried out a credible and transparent financial resilience assessment		
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members		
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities		
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans		
J	The authority complies with its statutory obligations in respect of the budget setting process		
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves		There is a statement with detail on the robustness of estimates and reserves for WBC budgets. However, there is a question on 'does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future'. This was true for 2023-24, however, there is a substantial in year overspend that is putting the Council's general fund below the minimum level set by the s151 officer.
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget		See comments above; further engagement is taking place for 2024-25.

M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions		
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability		
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability		
P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions		

6 Other options considered

6.1 The Finance & Governance Group could have chosen not to request a self-assessment and rely on its overall processes to comply with the CIPFA FM code. This was disregarded as it is important that we continue to self-assessment against sectoral best practice to demonstrate our commitment to continuous improvement.

7 Conclusion

7.1 For Corporate Board and Operations Board to comment on the report, note the self-assessment, and the need to improve the financial sustainability of the Council specifically in respect of the Council’s reserves position.

8 Appendices

Appendix A – Self assessment against the CIPFA FM code

Subject to Call-In:

Yes: No:

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

Wards affected: All

Officer details:

Name: Joseph Holmes
Job Title: Executive Director Resources
Tel No: 01635 503540
E-mail: joseph.holmes1@westberks.gov.uk

CIPFA FM Code self assessment

		Evidence	Further supporting information
A	<ul style="list-style-type: none"> Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved? 	<ul style="list-style-type: none"> Performance against the ‘3 Es’ is evidenced through procurement activity (see Procurement Board), as well as regular detailed review of cost centres (for e.g. financial challenge panel 2021) with member oversight. Evidence on equity is measured through consultation and engagement as part of schemes and strategies, though this is not undertaken across all activity. The governance structure is currently under review (and is highlighted in the Annual Governance Statement – AGS); within the senior management team, over half of the CMT/CLT tier are interim (though internal interim staff). The Council has effective scrutiny arrangements in place, including some more targeted review e.g. fees and charges in 2022 Audit arrangements are in place and reported to those charged with governance, though the 2020-21 and 2021-22 financial statements remain outstanding due to GT staffing issues The corporate strategy is clear; a new strategy is currently being consulted on The Council has a clear financial and service planning process that is articulated across senior management The Council has an Outcomes Based Budgeting approach to financial planning looking over a 4 year time horizon; the MTFs shows the requirement for @£20m of savings (2023-27) with just under £13m identified 	

		<ul style="list-style-type: none"> • The approach aims to encourage greater longer term planning and creativity and move away from short term savings • The approach has been partial successful; over the last two years the Council has moved away from having a year on year approach to savings, with some proposals identified in years 2 to 4, as well as framework for the themes of savings. However, the major increases to inflation have significantly dented this approach (for example the 2022-26 MTFS forecast a savings requirement of £2.5m lower for the FY23/24 than emerged). • Longer term contractual arrangements are mixed; there are some positive relationships built with the ASC care market that have enabled a level of stability (though this has come with significant increases to unit costs); relationships are flexible with the waste PFI contractor and have seen an introduction of an enhanced service with weekly food waste collection during the FY22/23. Though contractor failure is rare, there have been some significant changes to contracts during the year in grounds maintenance and leisure services in the year. • There are transparent arrangements for scrutiny and oversight of financial information; quarterly reports go to the Executive, and OSMC beforehand where the timescales allow now. Budget papers are available for over a month in the public domain before the final budget decision is taken. 	
<p>B</p>	<ul style="list-style-type: none"> • Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to 	<ul style="list-style-type: none"> • Yes the CFO attends Corporate Board, Operations Board and other strategic boards within the Council's governance structure 	

	<p>bear on, all material business decisions?</p> <ul style="list-style-type: none"> • Does the CFO lead and champion the promotion and delivery of good financial management across the authority? • Is the CFO suitably qualified and experienced? • Is the finance team suitably resourced and fit for purpose? 	<ul style="list-style-type: none"> • Yes – the finance service provides challenge and support to the wider organisation and has enabled innovation in schemes, for example the Community Municipal Investment • Yes, 10 years experience as a s151 officer – CIPFA qualified • Yes – there are resourcing constraints in specialists areas in line with many other Councils, though no significant savings have been taken from the finance team in recent years and there are an increasing number of qualified and part qualified accountants through a successful training scheme. 	
<p>C</p>	<ul style="list-style-type: none"> • Does the leadership team espouse the Nolan principles? • Does the authority have in place a clear framework for governance and internal control? • Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? 	<p>The Leadership Team is required to adhere to the Officers Code of Conduct which reflects the Nolan Principles. The Code of Conduct does not however explicitly refer to the Nolan Principles, and this is something that should be addressed when the Code of Conduct is reviewed next year.</p> <p>The Council has also recently adopted a new Behaviour Framework, which also reflects the Nolan Principles (albeit not explicitly). This will become embedded into the appraisal process.</p> <p>The Council has recently reviewed a significant part of its Constitution and is due to complete this work next year. Further, there has been a review of internal governance undertaken by the Chief Executive, which is due to be implemented following the review of the Council’s Constitution. This review has been subject to consultation with officers, and there has been a programme of training for senior officers, to ensure that there is a good understanding of the relevant processes. The Council’s Digital Team have also developed a tool, which will inform officers of the correct decision-making route for a particular project.</p>	<p>See HR led behaviour framework</p> <p>See Governanc</p>

	<ul style="list-style-type: none"> Does the leadership team espouse high standards of governance and internal control? Does the leadership team nurture a culture of effective governance and robust internal control across the authority? 	<p>Yes. Reports should be signed off by a senior officer, and Corporate Board (Membership of CEO, Executive Directors and the Monitoring Officer) consider all reports before they go into the public domain. Corporate Board should also see all reports before they are shared with Members.</p> <p>The senior leadership team have been supportive of the recent governance review, as there was a collective view that previous controls impeded quick and efficient decision making. The new governance boards are chaired by either Executive or Service Directors, and will be supported by officers from Finance, Legal etc.</p> <p>There is a planned review of the updated governance arrangements 12 months after implementation, to ensure that the stated aims of that review have been achieved.</p>	<p>e review by CPfS</p> <p>See training on governance framework – Summer 2023</p> <p>Governance framework paper - 2023</p>
<p>D</p>	<ul style="list-style-type: none"> Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? Does the authority have in place a suitable local code of governance? Does the authority have a robust assurance process to support its AGS? 	<p>Yes – the framework is reflected in the Council’s AGS</p> <p>Yes – a separate code of governance was introduced in 2021 and update for 2023</p> <p>Yes – this is built up per the AGS that is approved and articulated and supported by review of the Corporate Risk Register, Internal audit and external audit reports as well as information from programme management</p>	<p>Local Code of Governance</p> <p>Annual Governance Statement</p>
<p>E</p>	<ul style="list-style-type: none"> Does the authority have in place an effective framework of financial accountability? 	<p>Yes – this is included in the Council’s constitution and governance arrangements with accountability to budget holders</p>	<p>See constitution</p>

	<ul style="list-style-type: none"> Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? Does the authority's finance team have appropriate input into the development of strategic and operational plans? Do managers across the authority possess sufficient financial literacy to deliver services cost-effectively and to be held accountable for doing so? <ul style="list-style-type: none"> Has the authority sought an external view on its financial style, for example through a process of peer review? Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities? 	<p>Yes – demonstrated through regular benchmarking to assess areas of known higher costs. Recent EDI framework (November 2023) to continue improvement in equity of services. Work completed on greater engagement through the budget process (consultation and community engagement in services) from 2022 onwards. Transformation programme creation with focus on key areas to improve the 4 'E's' – specifically on assets, business support, HtST, HR activity, planning and ASC care provision</p> <p>Yes – finance managers are closely aligned to forthcoming plans and projects. Finance representative across governance boards.</p> <p>Yes – training provided through finance</p> <p>Peer Review taking place in February 2024</p> <p>Yes – recent review of constitution realigned some areas of delegation to closely reflect the Council's management arrangements</p>	<p>https://decisionmaking.westberks.gov.uk/documents/s116289/8.%20Corporate%20Transformation%20Programme.pdf</p>
<p>F</p>	<ul style="list-style-type: none"> Has the authority undertaken a financial resilience assessment? Has the assessment tested the resilience of the authority's financial plans to a 	<p>Not an external financial resilience assessment. Internally this forms a key part of the budget setting papers supporting the CFOs reserves levels set. Tools are available e.g. CIPFA resilience index. This assessment has been included within the revenue budget papers since the resilience index was introduced and has highlighted to members areas of comparative high and low financial resilience which has helped inform the budget setting process</p>	<p>See appendix E to the revenue budget for 2022-23 and before</p>

	<p>broad range of alternative scenarios?</p> <ul style="list-style-type: none"> • Has the authority taken appropriate action to address any risks identified as part of the assessment? 	<p>The assessment has highlighted (as is known to WBC) a reduced level of reserves and a need to stop the use of reserves to support future budgets. Outside of external funds, the 2023-24 budget is using less than £1m of reserves.</p> <p>The MTFS includes a scenario plan of different impacts on the Council's budget. What has significantly tested the Council's financial resilience in the current year has been the continued increases to Children's and Adult's social care</p> <p>From 2024-25 the MTFS highlights the requirement to increase reserves by £1m in 2024-25 and increasing by a total of £6m over the life of the MTFS to replenish the General Fund balance and rebuilt service risk reserves</p>	<p>See MTFS</p>
<p>G</p>	<ul style="list-style-type: none"> • Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? • Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? • Has the authority sought to understand the 	<p>Notwithstanding the above, yes – key risks are identified either through to the Corporate Risk Register e.g. inflation or where they are long term risks e.g. social care demand, they are monitoring monthly with formal reporting through to members quarterly. There are regular budget board meetings with senior managers and the Executive with financial sustainability regularly the primary item</p> <p>Partial – the MTFS highlights the need for @£20m savings between 2023-27; @£13m of this has been identified, but there are clearly further savings to be found. The largest external issue is the future of 'fair funding' and the business rates retention proposals and baseline reset from Government; these reforms have been paused for 5 years – their continued pause is more likely to benefit WBC and the MTFS is based on this...though it of course very uncertain.</p>	

	<p>impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)?</p> <ul style="list-style-type: none"> Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making? 	<p>Yes – see the MTFS which includes scenario planning for financial challenges</p> <p>Yes – see the above – Budget Board papers available</p>	
H	<ul style="list-style-type: none"> Has the authority prepared a suitable capital strategy? Has the authority set prudential indicators in line with the Prudential Code? Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set? 	<p>Yes – the Capital Strategy for 2023 has been lengthened to 10 years ahead (it was previously 5)</p> <p>Yes – see the Capital Strategy and also the Investment and Borrowing Strategy</p> <p>Yes – key indicators are monitored during the year with mid-year reports and outturn reports on the Investment and Borrowing Strategy going to the G&E committee in the public domain.</p> <p>The Council also has a well established internal Treasury Management Group that meets quarterly (and includes the finance portfolio holder) to monitor performance against the prudential code, future borrowing and investment decisions and wider risks to the Council’s treasury management position</p>	<p>https://decisionmaking.westberks.gov.uk/ie/ListDocuments.aspx?CId=116&MId=6983&Ver=4</p> <p>https://decisionmaking.westberks.gov.uk/ie/ListDocuments.aspx?CId=388&MId=6764</p>
I	<ul style="list-style-type: none"> Does the authority have in place an agreed medium-term financial plan? 	<p>Yes – a separate MTFS (Medium Term Financial Strategy) document is presented to the Executive and Council as part of the budget setting process to enable greater scrutiny of the longer term financial implications for WBC</p>	<p>https://decisionmaking.westberks.gov.uk/ie/ListDocuments.aspx?CId=388&MId=6764</p>

	<ul style="list-style-type: none"> • Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? • Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? • Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? • Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims? 	<p>Yes – there's a strong link between the MTFS and the Council Strategy and the capital strategy</p> <p>Yes – the main demand budgets are separated out in the revenue budget papers with the volatility highlighted and modelled through with expected cases – see appendix B to the revenue budget</p> <p>Yes – see scenario planning contained within the MTFS papers towards the end of the paper</p> <p>Yes – a revised asset management strategy was approved by the Executive in June 2022 (see item 7). Further work has been completed with Peopletoo and CIPFA on the corporate landlord model and options for introducing this to WBC.</p>	<p>ents.aspx?CId=116&MId=6983&Ver=4</p> <p>https://decisionmaking.westberks.gov.uk/ie/ListDocuments.aspx?CId=117&MId=6899&Ver=4</p>
<p>J</p>	<ul style="list-style-type: none"> • Is the authority aware of its statutory obligations in respect of the budget-setting process? • Has the authority set a balanced budget for the current year? • Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so? 	<ul style="list-style-type: none"> - Yes – this is reflected in the constitution (and the budget and policy framework as well as financial rules of procedure have recently been updated). - Yes – see budget papers – a much lower use of reserves (majority of which is using specific reserve) - Yes – aware of requirements. Regularly papers to Finance Governance Group on where these have (or are going to be) issued in other Councils and review external reports for any implications for West Berkshire Council. Reports to the Executive during 2023-24 have set out the circumstances of a s114 report and how this would occur. 	<p>Item 74 https://decisionmaking.westberks.gov.uk/ie/ListDocuments.aspx?CId=116&MId=6170</p> <p>https://decisionmaking.westberks.gov.uk/ie/ListDocuments.aspx?CId=116&MId=6170</p>

			<p>CId=116&MId=6983</p> <p>See Finance Governance Group papers</p>
K	<ul style="list-style-type: none"> Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves? Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case? Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall? 	<ul style="list-style-type: none"> Yes – specific appendix of the revenue budget report setting these items out, where these have changed and what the implications are Yes – estimates are highlighted and within the MTFs some scenario planning is included referencing back to some of the key estimates included within the financial planning process e.g. interest costs Yes – as recognised in the report, these reserves have been declining in the last two years. However, the total levels of reserves remains higher than the budget set before the pandemic for 2019-20; reserves did increase during the pandemic (in part, but not entirely, due to Collection Fund accounting) and have decreased to just above the minimum level set with a small amount of specific earmarked reserves. The MTFs highlights the need to increase earmarked reserves, and specifically risk reserves, by £1m in each of the upcoming three years. 	<p>Appendix Ei and ii https://decisionmaking.westberks.gov.uk/ie/ListDocuments.aspx?CId=116&MId=6983</p>
L	<ul style="list-style-type: none"> How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget? How effective has this engagement been? What action does the authority plan to take to improve its engagement with key stakeholders? 	<ul style="list-style-type: none"> Partial – there have been budget simulator (which was very interactive) and consultation exercises with the wider public on the forthcoming budgets, much greater use of communications channels, interactive Facebook live sessions etc. 376 responses to the 2023-24 budget which was positive comparatively high. 	<p>Budget consultations have been completed – https://westberks.gov.uk/balanci</p>

		<p>However, engagement is much more internally focussed within the Council rather than with wider partners</p> <ul style="list-style-type: none"> - Utilisation of the stakeholder matrix will be considered as part of the 2024-25 budgetary process to ensure greater representation in our works 	<p>ngourbudget</p>
<p>M</p>	<ul style="list-style-type: none"> • Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication <i>Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal</i>? • Does the authority offer guidance to officers as to when an option appraisal should be undertaken? • Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? • Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty? • Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)? 	<ul style="list-style-type: none"> - The option appraisal methodology is covered to some degree in our Project Brief where it prompts the PM to consider value for money, social value and the three options of doing nothing, doing the minimum and doing the best case scenario which encourages them to have calculated and considered all of the possibilities. However, it is not covered in the detail as shown in the publication referred to which is very complex and aimed more at accountants. That said, some of the Property or Education project management teams do more in-depth investment appraisals around the sums of money they spend which are much larger. There is an opportunity to review this guidance further to see how to improve our internal documentation. The Prioritisation template does ask some questions but not to the degree that is set out in the document. • Yes, the Project Briefs/PIDs could always be more detailed and as some are pared down for smaller projects. The Project Briefs are now better challenged and insufficient detail in a PB means that it won't be passed through the governance structure. Our governance and understanding of the business cases is definitely improving and we are asking for more information on the deliverables both financial and non financial. PMs and Sponsors are asked to make recommendations around the considered options to demonstrate the reasons for proceeding in a particular way. If the governance group agrees with the proposal and feel that sufficient challenge has been 	

		<p>made, they will approve the proposal for delivery. Another thing that could be done more often is to reassess as we move into delivery whether the proposal remains value for money and aligned with the original business case. The Council needs to consider challenging ‘sunk cost fallacy’ and also ensure that we clearly articulate reasons for non delivery of projects / reasons for overspends etc.. This could be down to the level of project management maturity in the organisation though and that many of the projects undertaken are required anyway such as system upgrades or statutory requirements which leave us with little option.</p>	
N	<ul style="list-style-type: none"> • Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability? • Do the reports cover both forward and backward-looking information in respect of financial and operational performance? • Are there mechanisms in place to report the performance of the authority’s significant delivery partnerships such a contract monitoring data? • Are the reports provided to the leadership team in a timely manner and in a suitable format? • Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action? 	<p>Yes – reports are clear and provided quarterly to decision makers with a different suite of reports depending on the audience. These articulate reasons for emerging risks (as does the risk register) to the in year and overall budget strategy. In 2022-23 for the first time, the Council included an in year MTFS review to give an updated position to members due to the extreme inflation impact that the Council faced.</p> <p>Yes – reports are forward and backward looking; the forward looking element could be improved to longer term financial sustainability.</p> <p>Partial – significant partnerships are monitored with cost implications arising. Contract monitoring is an area for improvement for the Council.</p> <p>Yes – the reports come through to the leadership team within the month of each quarter and to the Executive sometimes in less than a month from quarter end</p> <p>Yes – the leadership does take action and mitigations and make amendments and adjustments to reports as they travel through</p>	<p>See Executive reports and more detailed ones to Corporate Board and Operations Board.</p>

<p>O</p>	<ul style="list-style-type: none"> • Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability? • Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? • Is the authority taking action to mitigate any risks identified? • Does the authority report unplanned use of its reserves to the leadership team in a timely manner? • Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes? 	<p>Yes – General Fund balances and earmarked reserves – separate reports are included in the budget papers on these and they are regularly report to, for example budget board, as well as a fulsome summary in the Financial Statements.</p> <p>Yes – the outturn monitoring position is geared towards the changes to the General Fund balance</p> <p>Yes – in 2022-23 almost all earmarked reserves were utilised to support the General Fund balance position of £7m</p> <p>Yes – unplanned in year use of reserve was reported early in 2022-23 financial year.</p> <p>Partial – further work is required on some other key elements of the balance sheet risks, for example collection fund and investment property valuations.</p>	<p>See budget papers and in year monitoring papers</p>
<p>P</p>	<ul style="list-style-type: none"> • Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements? • Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms? • Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i>? 	<p>Yes – the CFO is clear on their responsibilities; the CFO regularly attends the G&E committee updating members on the latest position on the preparation and audit of the financial statements.</p> <p>Yes – included through the Council's constitution, responsibilities of the CFO, through to the HoF&P</p> <p>Yes – the accounts have been prepared in line with DLUHC (and predecessor) timescales</p>	<p>See paper 5 https://decisionmaking.westberks.gov.uk/ie/ListDocuments.aspx?CId=388&MId=6764&Ver=4</p> <p>Constitution and perf. Mngt docs</p>
<p>Q</p>	<ul style="list-style-type: none"> • Is the authority's leadership team provided with a suitable suite of reports on the authority's financial 	<p>Yes – quarterly reports are provided for both revenue and capital setting out key variations</p>	<p>See item 11 and 12</p>

<p>outturn and on significant variations from budget?</p> <ul style="list-style-type: none"> • Is the information in these reports presented effectively? • Are these reports focused on information that is of interest and relevance to the leadership team? • Does the leadership team feel that the reports support it in making strategic financial decisions? 	<p>and progress on achieving the year’s financial savings programme. Monthly reports are prepared for key risks areas; primarily adults and children’s social care models where regular meetings are held with senior finance and service staff to review and identify actions</p> <p>Yes – the reports attempt to mix written description and graphs to highlight the overall narrative and make these as simple as possible whilst contained sufficient financial information</p> <p>Yes – per the above, there is additional focus on the main risk areas of the budget, social care.</p>	<p>of https://decisionmaking.westberks.gov.uk/ieListDocuments.aspx?CId=118&MId=6897</p>
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