

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 judgement	
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

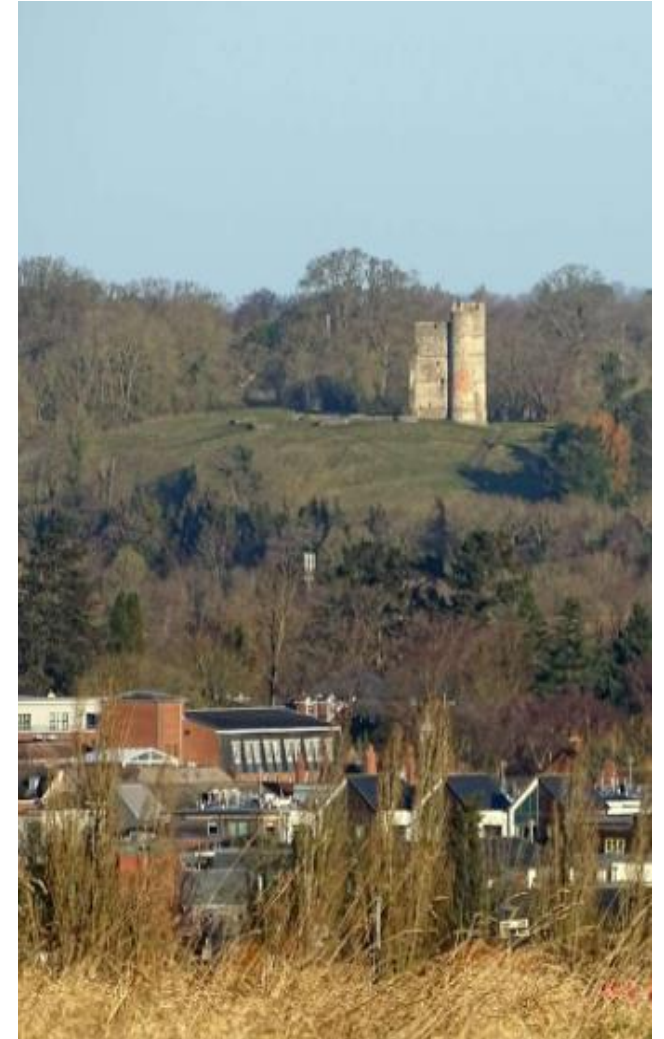
West Berkshire Council was created after the separation of Berkshire County Council in 1998. It is now one of six unitary authorities in Berkshire. The region covered by the Council spans 272 square miles, the largest urban areas included are Newbury and Thatcham where 44% of residents live. The estimated 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

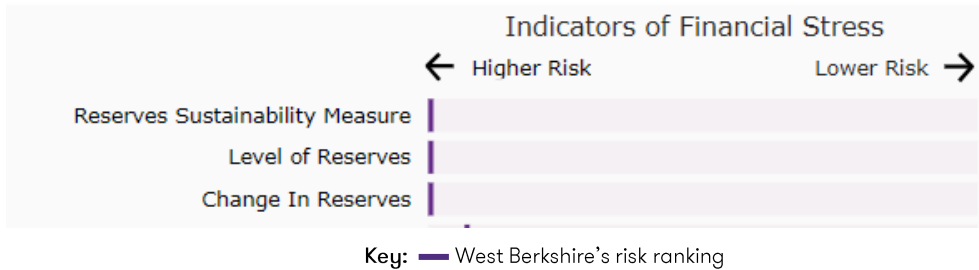
Managing financial resilience

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.

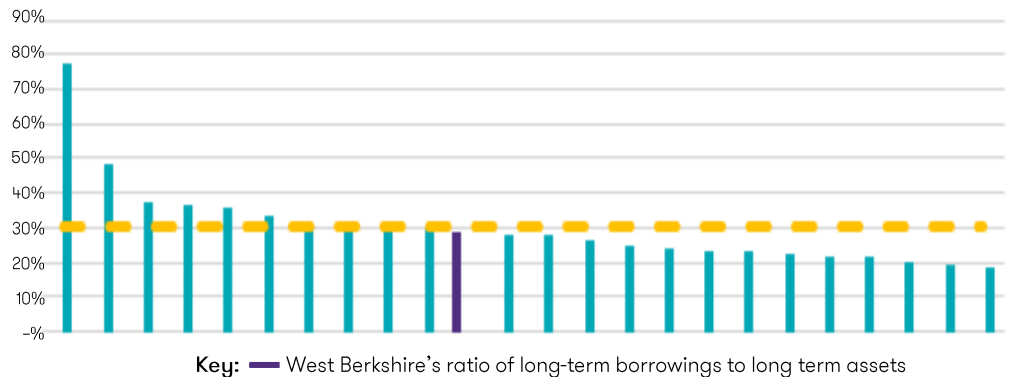
There have been no new purchases of investment properties since March 2019 and the Council estimates that income from the properties made an average net annual contribution to the revenue budget (after debt financing costs) of around £1.2 million.

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

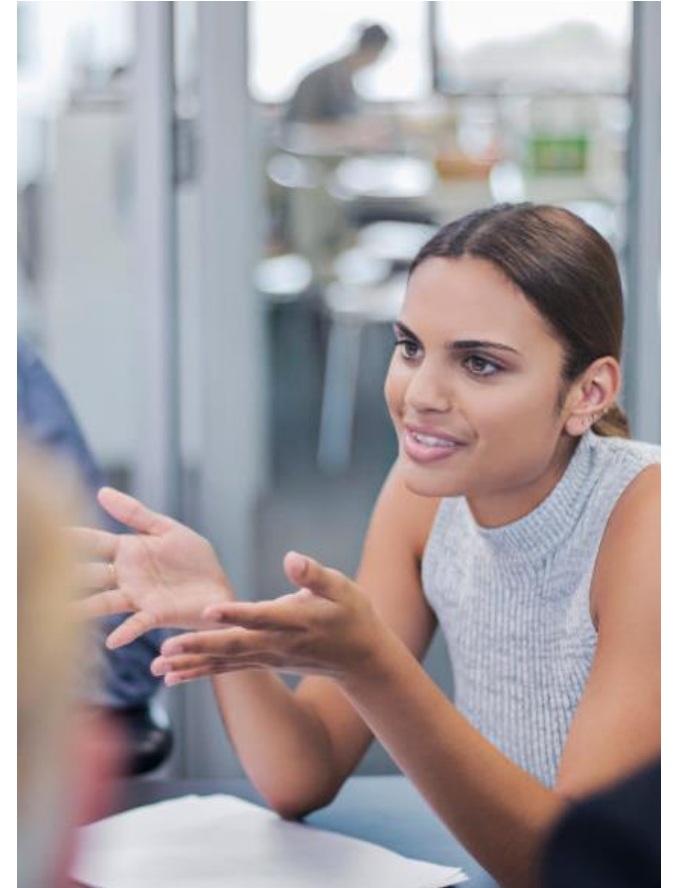
Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

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

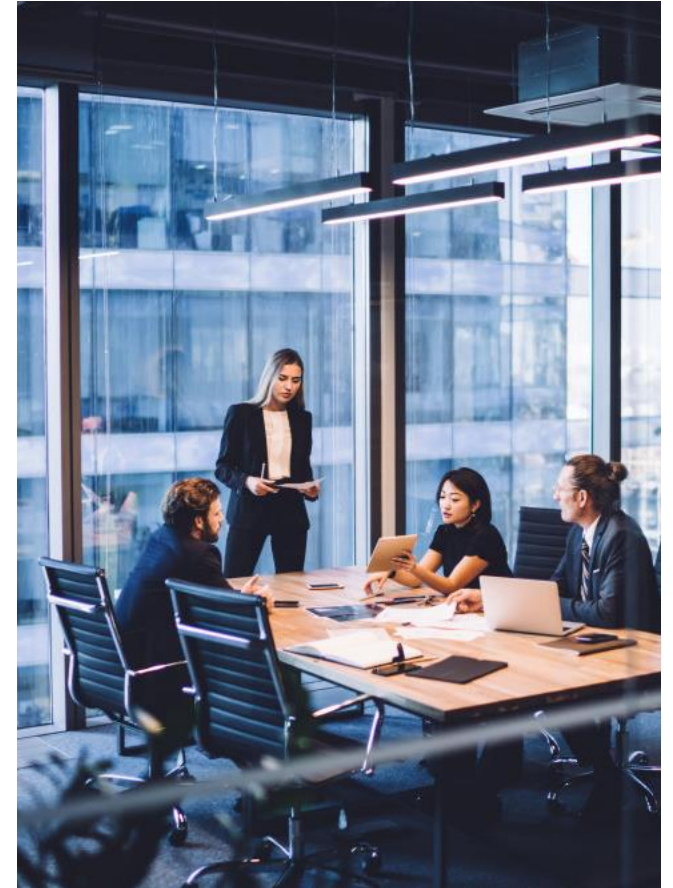
Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

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

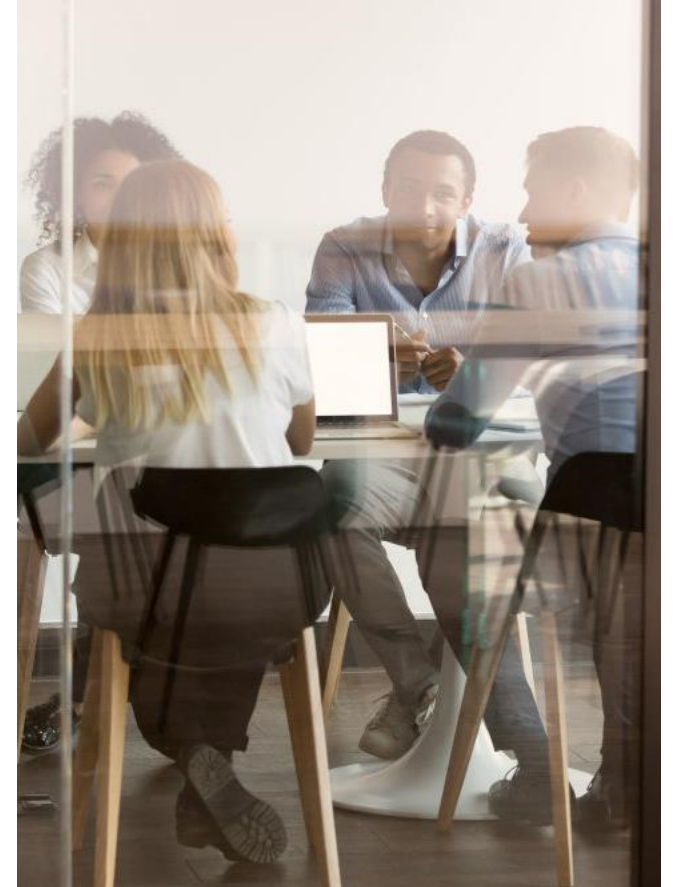
Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

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.

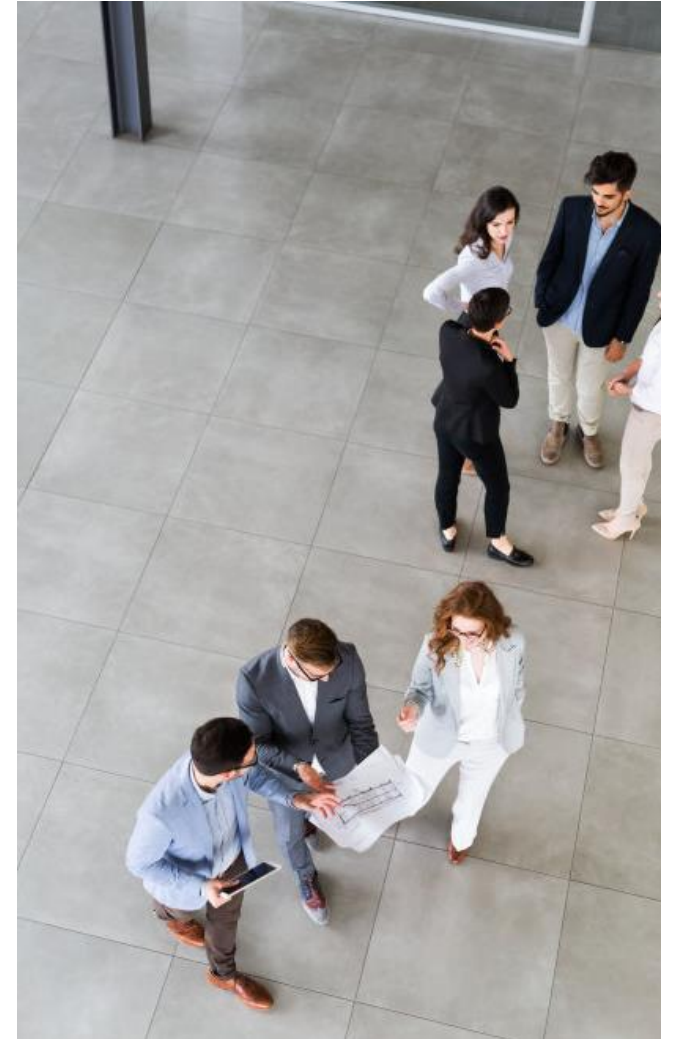
We wrote to the Section 151 Officer in January 2024 to inform of the latest position.

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.

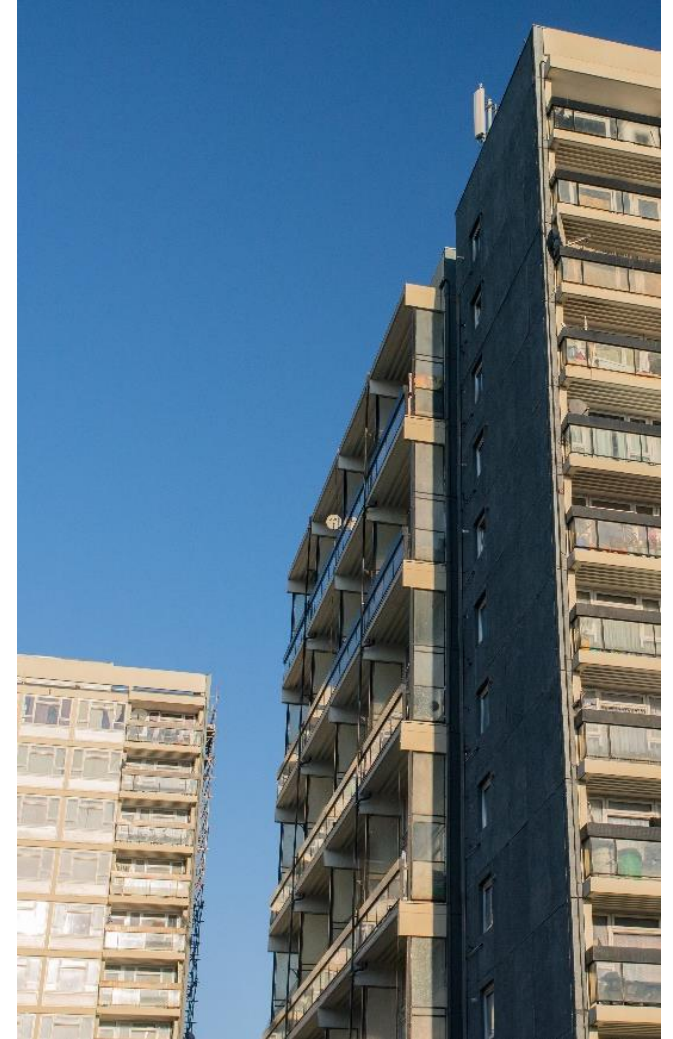
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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



