

Notice of Meeting



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Governance and Ethics Committee

Monday, 24th August, 2020 at 4.00 pm

This meeting will be held in a virtual format in accordance with The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panels Meetings) (England and Wales) Regulations 2020

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Date of despatch of Agenda: Friday, 14 August 2020

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

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Agenda - Governance and Ethics Committee to be held on Monday, 24 August 2020
(continued)

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

Substitutes: Councillors Adrian Abbs, James Cole, Carlyne Culver, Owen Jeffery, Steve Masters and Garth Simpson

Agenda

Part I		Page No.
1	Apologies To receive apologies for inability to attend the meeting (if any).	
2	Minutes To approve as a correct record the Minutes of the meeting of this Committee held on 15 June 2020.	1 - 4
3	Declarations of Interest To remind Members of the need to record the existence and nature of any personal, disclosable pecuniary or other registrable interests in items on the agenda, in accordance with the Members' Code of Conduct .	
4	Forward Plan <i>Purpose: To consider the Forward Plan for the next 12 months.</i>	5 - 8

Governance Matters

5	Internal Audit Annual Assurance Report 2019/20 (GE3821) <i>Purpose: The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council.</i>	9 - 22
6	Annual Governance Statement (GE3823) <i>Purpose: To set out the Annual Governance Statement (AGS) for the Council for 2019-20 and to outline issues that Corporate Board considered should be included in the 2019-20 AGS as requiring action to resolve.</i>	23 - 42



Agenda - Governance and Ethics Committee to be held on Monday, 24 August 2020
(continued)

- 7 **Draft Going Concern Assessment as at 31st March 2020** 43 - 66
and Supporting Draft Executive Directors' Narrative
Statement for the 2019/20 Financial Statements (GE3822)
Purpose: This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2019/20.

Sarah Clarke
Service Director: Strategy and Governance

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

REMOTE GOVERNANCE AND ETHICS COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 15 JUNE 2020

Councillors Present: Jeff Beck (Chairman), Jeremy Cottam (Vice-Chairman), Barry Dickens, Owen Jeffery (Substitute) (In place of Geoff Mayes), Rick Jones, Tony Linden, Thomas Marino, David Marsh, Andy Moore and Claire Rowles.

Also Present: Catalin Bogos (Performance Research Consultation Manager), Julie Gillhespey (Audit Manager), Joseph Holmes (Executive Director - Resources), Andy Walker (Head of Finance and Property), Stephen Chard (Principal Policy Officer) and Councillor Joanne Stewart

Apologies for inability to attend the meeting: Parish Councillor Jane Langford and Councillor Geoff Mayes

PART I

3 Declarations of Interest

There were no declarations of interest received.

4 Minutes

The Chairman welcomed Barrie Morris and David Johnson from Grant Thornton, the Council's external auditors, to the meeting. He reminded Members that if the external auditors wished to address the Committee standing orders would need to be amended to allow them to do so.

The Minutes of the meeting held on 27 April 2020 were approved as a true and correct record and signed by the Chairman subject to the inclusion of the following correction:

Item 36 Internal Audit Review of the Governance and Ethics Committee. penultimate paragraph, final sentence:

Councillor Abbs made the **suggestion** that the survey be repeated.

(As Councillor Claire Rowles was not present at the meeting on the 27 April 2020 she abstained from voting on the minutes.)

The Minutes of the meeting held on 14 May 2020 were approved as a true and correct record and signed by the Chairman.

5 Forward Plan

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

The following additions to the forward plan were proposed:

- The inclusion of an item on risk appetite at a future meeting;
- Action Plan arising from the report on the effectiveness of the Governance and Ethics Committee to be included at a future meeting.

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

6 2019/20 External Audit Fee and External Audit Plan/Scope

The Committee considered a report (Agenda Item 5) which sought to inform Members of the proposed 2019/2020 external audit fee and proposed external audit plan for 2019/2020.

Andy Walker introduced the item. The Chairman noted that the proposal was to increase the external audit fee by 28.4%. This was, in the main, to cover costs associated with additional audit requirements emanating from Central Government. The fee for 2019/20 was broadly similar to the 2017/18 fees.

Standing Orders were suspended in order to allow the external auditors to address the Committee.

Barrie Morris in responding to queries raised by Councillor Rick Jones explained that the Financial Reporting Council (FRC) oversaw the audits of all large public sector bodies and corporate organisations. There had been a large number of high profile corporate failings, most notably in corporate bodies, in recent times.

The FRC had therefore called into question the robustness of the work of some external audit firms especially in areas where high levels estimations were used. There had therefore been a lot of focus around areas where there was a high level of expenditure including property, plant, equipment and pensions. In the public sector they had also been asked to consider carefully activity around commercial property investment which was considered to be a higher risk activity given the frequent changes in the value of these assets. This required additional work and challenge of management to be undertaken by the auditors during the preparation of the authority's accounts.

An interim report was required because of the slippage in the timetable for the production of the accounts. The Council would be required to produce the accounts by the end of August instead of the end of May. The review of those accounts by the auditors was due by the end of November. The interim report would therefore give the auditors an opportunity to see what progress had been made with the implementation of the recommendations previously made.

Councillor Andy Moore queried if Officers would be ready to respond to the interim report in July and if they thought it would be beneficial to do so. Andy Walker confirmed that Officers were prepared for the interim review and considered it to be a positive and worthwhile exercise. Barrie Morris commented that this was standard practice. The interim report would usually be prepared in February or March before the final accounts were prepared but had been delayed until July due to the slippage in the timetable for preparing the accounts. This was not an additional piece of work that the Council was paying for.

The 'Going Concern Assumption' pertained to the organisation's ability to meet its financial requirements for the following 12 months without having to curtail its activities. There had been an increase in the number of failures in public sector organisations in recent years and a number of directors of finance had needed to issue section 114 notices. This meant that the authority had 'run out of money' and could only spend money on absolutely critical services. The external auditors therefore needed to ensure that the Council had sufficient resources to cover the twelve month period after the end of their audit review which would be the 30 November 2021. Joseph Holmes confirmed that he was not currently looking at the need to issue a section 114 report.

Councillor Jeremy Cottam queried whether the audit would include assessments of the viability of organisations that delivered services on behalf of the Council for example the Council's waste contractor. Barrie Morris stated that this would fall outside the scope of the audit unless the company was wholly owned by the authority. They might however

GOVERNANCE AND ETHICS COMMITTEE - 15 JUNE 2020 - MINUTES

consider mitigation measures the Council might take if it was recognised that the organisation was going into distress.

Councillor Owen Jeffery noted that the increase in the fee was significant and queried if the auditors felt that it was sufficient to cover their costs. Barrie Morris stated that the scale fees were based on assumptions around the Council's risk profile. The fee was felt to be both appropriate and proportionate. He did however highlight that more changes were being proposed in respect of the audit regime which might impact on fees. Any further changes to the fees would be brought back to the Committee for approval.

Councillor Claire Rowles queried to what extent the breakdown of the amount of time spent on the preparation of the accounts was scrutinised by Officers in relation to the fees charged. She also queried how the external auditors ensured that they audited the accounts in the most efficient way possible thereby ensuring they were providing good value for money.

Joseph Holmes stated that any additional fees would have to be brought to his attention. As a team they would be aware of where any additional audit work was being undertaken and the team would ensure that it matched their expectations. The external auditors also had to take any additional fees through the Public Sector Audit Appointments (PSAA) organisation and if the Council supported the proposal it would be a cleaner approval process. The PSAA could also adjudicate that the fees were either too high or too low.

Barrie Morris explained that the fees were based on a scale set by PSAA which had come down over the last few years. Any increases would be discussed with officers to ensure that they were reasonable and appropriate. If changes were proposed they had to go through the PSAA. They had thresholds (circa £30k) which would trigger them looking into the work undertaken by the auditors to assess if the work was necessary. Discussions with the PSAA had been undertaken in advance this year in relation to the current increase in fees rather than leaving it late in the process. In terms of audit efficiency, Grant Thornton based their audits on a national programme of activity. The team were specialists in the public sector and quality standard checks were in place.

Standing Orders were reinstated.

RESOLVED that the report be noted.

7 Exclusion of Press and Public

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

8 Risk Management Q4 of 2019/20 Report

(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 7) which concerned the Council's corporate risks and outlined the actions that were being taken to mitigate those risks.

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

(The meeting commenced at 4.00pm and closed at 5.10pm)

GOVERNANCE AND ETHICS COMMITTEE - 15 JUNE 2020 - MINUTES

CHAIRMAN

Date of Signature

Governance and Ethics Committee Forward Plan 16 November 2020 – August 2021

16 November 2020						
1.	GE3824	External Audit Fee 2020-21	To present to members the Audit Fee Letter for 2020/21 from Grant Thornton. The letter sets out the fee for the audit in line with the prescribed scale fee set by the Public Sector Audit Appointments Ltd (PSAA).	Shannon Coleman-Slaughter	Councillor Jo Stewart Internal Governance	Audit
2.	GE3820	Summary of Draft West Berkshire Council Financial Statements 2019/20	To provide Members with the final copy of the Council's Financial Statements.	Andy Walker	Councillor Ross Mackinnon Finance and Economic Development	Audit
3.	GE3689	External Audit Plan 2020-21	To provide Members with a copy of the External Audit Plan for 2020-21	Shannon Coleman-Slaughter	Councillor Jo Stewart Internal Governance	Audit
4.	GE3864	Internal Audit Interim Report 2020/21	To update the Committee on the outcome of internal audit work.	Julie Gillhespey	Councillor Jo Stewart Internal Governance	Audit
5.	GE3934	External Auditors Report on the Financial Statements	To receive the report from the external auditors.	Shannon Coleman-Slaughter	Councillor Ross Mackinnon Finance and Economic Development	Audit
6.	EX3952	Risk Management Strategy	For Information so that the Committee can consider how it would like to apply the strategy which has been approved by the Executive.	Joseph Holmes	Councillor Jo Stewart Internal Governance	Audit
7.	GE3954	Response to the Audit Review of the Governance and Ethics	To provide an update on progress on implementing the	Julie Gillhespey	Councillor Jo Stewart Internal	Audit

		Committee	recommendations as set out in the review of the Committee.		Governance	
01 February 2021						
8.	GE3891	Annual Audit Letter		Joseph Holmes	Councillor Ross Mackinnon Finance and Economic Development	Audit
9.	GE3892	Preparation for 2020-21 Financial Statements		Shannon Coleman-Slaughter	Councillor Ross Mackinnon Finance and Economic Development	Audit
10.	GE3907	Strategic Risk Register Update Q2 2020/21	To provide an update on the Strategic Risk Register as at Q2 of 2020/21.	Catalin Bogos	Councillor Jo Stewart Internal Governance	Audit
11.	GE3955	Local Code of Corporate Governance	To adopt the Code.	Joseph Holmes	Councillor Jo Stewart Internal Governance	Audit
12.	GE3893	Internal Audit – Interim Report 2020-21	To update the Committee on the outcome of internal audit work.	Julie Gillhespey	Councillor Jo Stewart Internal Governance	Audita
19 April 2021						
13.	GE3894	Internal Audit – Interim Report 2020-21	To update the Committee on the outcome of internal audit work	Julie Gillhespey	Councillor Jo Stewart Internal Governance	Audit
14.	GE3895	Internal Audit Plan 2021/22	To outline the proposed internal audit work programme for the next three years	Julie Gillhespey	Councillor Jo Stewart Internal Governance	Audit
June 2021						
15.	TBC	Risk Register Update Q4	To provide an update on the	Catalin Bogos	Councillor	Audit

		2020/21	Strategic Risk Register as at Q4 of 2020/21.		Jo Stewart Internal Governance	
August 2021						
16.	TBC	Internal Audit Annual Assurance Report 2020/21	The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council.	Julie Gillhespey	Councillor Jo Stewart Internal Governance	Audit
17.	TBC	Draft Financial Year 2020/21 Going Concern Assessment	This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2019/20.	Shannon Coleman-Slaughter	Councillor Ross Mackinnon Finance and Economic Development	Audit
18.	TBC	Draft Annual Governance Statement	To allow the committee to review the Annual Governance Statement before it is signed by the Leader and Chief Executive	Joseph Holmes	Councillor Jo Stewart Internal Governance	Audit

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Internal Audit Annual Assurance Report 2019/20

Committee considering report:	Governance & Ethics Committee on 27 July 2020
Portfolio Member:	Councillor Jo Stewart
Date Portfolio Member agreed report:	E-mailed to Councillor Stewart on 18 June 2020
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	GE3821

1 Purpose of the Report

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

2 Recommendation

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

3 Implications and Impact Assessment

Implication	Commentary
Financial:	Not Applicable
Human Resource:	Not Applicable
Legal:	Not Applicable
Risk Management:	Internal Audit work helps to improve risk management processes by identifying weaknesses in systems and procedures and making recommendations to provide mitigation. The aim of which is to help ensure that services and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.

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:	Section 151 Officer, Monitoring Officer and Head of Finance and Property.			

4 Executive Summary

- 4.1 The PSIAS require the Audit Manager to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.
- 4.2 The audit opinion is based upon the assurance work undertaken during the year; knowledge gained from previous assurance work; as well as intelligence gained from other sources of assurance, both internal and external, for example, Ofsted and the Council's Finance and Governance Group.

4.3 Purpose of the Audit Manager's Annual Assurance Report

To provide:-

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

4.4 Assurance Opinion

- (a) The Audit Manager can provide reasonable assurance that the governance, risk management and control framework remains robust. There were two audits deemed to be weak, these were the Purchase of Residential Care and S106 Agreements. Both of these reviews will have a follow-up to check on progress made on implementing agreed recommendations.
- (b) There were four Follow-up reviews completed during the year, for two of these we concluded unsatisfactory progress had been made (Implementation of the Property Database and Asset Management Strategy). When these outcomes were reported to Committee in November 2019, it was agreed a second stage follow-up would be carried out to check on progress, these are to commence in June 2020.

4.5 Performance of the Audit Team

The team has a service performance indicator to achieve 80% of the audit plan. For 2019/20 the actual result was 94%. This outcome is higher than in previous years, partly due to the team being fully staffed with experienced auditors, as well as the number of days spent on investigation work, as there are no fixed time budgets for this sort of work.

5 Supporting Information

Introduction

- 5.1 The Accounts and Audit (England) Regulations (2015) require each local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices.
- 5.2 The Public Sector Internal Audit Standards (PSIAS), including the CIPFA "Local Government Application Notes", require the Chief Audit Executive (the Audit Manager) to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.

Background

- 5.3 This report provides that opinion and includes information to support the opinion given. The report content has been compiled to conform to the requirements of the PSIAS.
- 5.4 The audit opinion is based upon the assurance work undertaken during the year and knowledge gained from previous assurance work, as well as intelligence gained from other sources of assurance, both internal and external, for example, Ofsted and the Council's Finance and Governance Group.
- 5.5 A system of internal control cannot provide total assurance that all risk has been identified and eliminated; it is used to manage the level of risk so that it is at an acceptable level for an organisation, taking into account the Council's risk appetite.

Purpose of the Audit Manager's Annual Assurance Report

- 5.6 To provide:-
 - (a) An opinion on the Council's governance, risk management and control environment;
 - (b) Information to support the opinion given;
 - (c) A summary of the work undertaken compared with the work planned;
 - (d) Performance of the Internal Audit Team;
 - (e) A statement as to whether the work of the Audit Team complies with the PSIAS.

Assurance Opinion

- 5.7 The Audit Manager can provide reasonable assurance (opinion would either be reasonable or limited) that the governance, risk management and control framework remains robust. No system of control can provide absolute assurance against material misstatement or loss, therefore Internal Audit can only provide reasonable assurance. This year there were only two corporate audits which had a less than satisfactory audit opinion. As with previous years, the number of limited assurance reports is very low, which is the key criteria on which this annual audit opinion is based.
- 5.8 In 2018/19 the responsibility for overseeing the risk management governance framework moved to Strategic Support. Since that time changes have been made to the Council's Risk Management procedures. In order to be able to comment on the effectiveness of the implementation of these changes and provide assurance on the new framework, an audit review has been included in the Audit Plan for 2020/21.
- 5.9 There have been no limitations or restrictions on the audit plan coverage or scope of the work undertaken that could have a negative impact on the opinion. There have been no impairments to the objectivity or independence of the Audit team.

Results of Work Undertaken to Support the Opinion

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

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

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

Corporate

Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
0	2	5	4	0

Schools

Very Weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
0	1	4	2	0

5.12 The tables show that the majority of audit opinions were satisfactory or above. There were two corporate audits deemed to be weak, the Purchase of Residential Care and S106 Agreements, the key findings for which have previously been reported to Committee in quarterly updates. We will schedule a follow-up review to check on progress against the agreed recommendations.

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

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

Satisfactory Follow-up	Unsatisfactory Follow-up
2	2

5.15 When the two unsatisfactory Follow-up reviews were reported to Committee in November 2019 (Implementation of the Property Database and the Asset Management Strategy), it was agreed that Internal Audit would carry out a second stage Follow up in six months' time and report the results back to Committee.

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

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

Appendix B. There were no weak audit opinions identified from work completed during the final quarter of the year.

Audit Team Resources and Performance

5.17 The team has a service performance indicator to achieve 80% of the audit plan. For 2019/20 the actual result was 94%. This is higher than the previous year’s achievement of 81%. This increase in productive days is down to the team being fully staffed with experienced auditors as well as the number of days spent on investigation work, as there are no fixed time budgets for this sort of work.

5.18 All internal audit work has been undertaken in accordance with the requirements of the PSIAS, the Core Principles of internal audit and the Code of Ethics for internal audit. Under the PSIAS there is a requirement to have an external assessment of the internal audit service every five years. The external assessment was undertaken in May 2018. The outcome of which was that the Council ‘generally conforms’, this is the highest category of compliance (the other possible conclusions being ‘partially conforms’ and ‘does not conform’). Recommendations included in the assessor’s report were used as the basis of setting up a quality assurance improvement programme, which is a requirement under the PSIAS. The Audit Manager provided the Governance and Ethics Committee with an update on progress of the Improvement Programme in April this year.

5.19 The Audit Team currently consists of four staff; the Audit Manager and three senior auditors. A budget pressure was agreed for this year to increase the team by one member of staff, a Principal Auditor. A recruitment exercise is planned to be undertaken shortly for this post. This new post will create the additional capacity required in the team to shorten the timeframe between audits, and to lessen the impact of unplanned investigations/advisory work on the level of assurance work carried out.

Audit Plan Actual Coverage

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

Audit Activity	Planned Time	Actual Time (up to allocated project time budgets)
Assurance work – Corporate	485	308
Assurance Work – schools	56	43

HR Investigations (Grievance and Disciplinary)	0	42
Fraud investigations	0	77
Advisory reviews (planned and requested in year)	35	42
Covid-19 related work	0	2
Plan preparation and Monitoring (corporate and schools)	22	25
Adhoc advice requests (corporate and schools)	20	38
Follow-ups	30	17
Other (support for G&E, external liaison)	14	18
Grant Assurance Work	10	22
Total Days	672	629
(These are the totals that are used to calculate the productivity percentage i.e. the 94% referred to in 5.17)		

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

- (a) The large number of unplanned days spent on advisory work was due to a number of requests being received during the year, specifically the Audit Manager being requested to undertake a disciplinary investigation and a grievance investigation. There was also a few fraud investigations that were undertaken, the main one was quite complex and time consuming.

- (b) The Audit Manager undertook a large proportion of the unplanned work. This accounted for 46% of her time, which has had an impact in causing delays in some audit work being reviewed/draft reports issued.
- (c) Unplanned advisory/investigatory work reduces the level of assurance work that can be undertaken in a year. The team undertook 65% of actual assurance work compared with planned, if the team had not spent time on unplanned investigation work etc. the days spent on planned assurance work would have been in the region of 88%.
- (d) The planned work not undertaken is reviewed as part of risk assessing and preparing the new audit plan, and rescheduled into the following year where deemed appropriate.

5.22 The Covid-19 pandemic emerged in the latter months of the 2019/20 financial year, and therefore had limited impact on the performance of the team. At the time of writing this report it has become clear that in 2020/21 there will be changes to the agreed plan of work for Internal Audit as the risk environment has changed as a result of the pandemic and its impact on the Council's operations and finances. Internal Audit has already become involved in some Covid-19 advisory work and grant assurance work, it is envisaged that this is likely to increase during the year. The Audit Manager will provide the Committee with updates regarding this nature of work and the impact on the audit plan.

5.23 Under the Local Government Transparency Code 2015 the Council is required to publish certain information regarding fraud. In order to meet this duty the following information is provided:-

- (a) There are no professionally accredited counter-fraud internal investigators, the Internal Audit team has the skills and experience to undertake such work where it arises (4 full-time members of staff).
- (b) There have been no occasions where the powers under the Prevention of Social Housing Fraud have been used by the Audit Team.
- (c) There were 3 fraud investigation cases Internal Audit were involved in during the year, 2 of which were external fraud, the third case was internal.
- (d) There have been no specific costs incurred for the fraud work undertaken this year except for the salary costs for the days spent by the Audit team on fraud related work. Cost of the days spent on investigations using an average daily salary cost was £17,685 for 2019/20.

Proposals

5.24 The Governance and Ethics Committee note the content of the report.

6 Other options considered

Not applicable, the report is for information only.

7 Conclusion

This report was produced to provide the Audit Manager’s opinion on the Council’s governance, risk management and control framework for 2019/20. The Audit Manager’s annual audit opinion is that reasonable assurance can be provided that the Council’s governance, risk management and control framework remains robust.

8 Appendices

8.1 Appendix A – Audit Work Completed for last quarter of 2019/20.

8.2 Appendix B – Audit Work in Progress as at 31st March 2020.

Background Papers:

None.

Subject to Call-In:

Yes: No:

Report is to note only



Wards affected: Not applicable.

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Document Control

Document Ref:		Date Created:	
Version:		Date Modified:	
Author:			
Owning Service			

Change History

Version	Date	Description	Change ID
1			
2			

1) COMPLETED AUDITS

Directorate/Service	Audit Title	Date Audit finalised	Overall Opinion
Corporate/Resources			
Corporate	GDPR	05/02/2020	Well Controlled
Corporate	Effectiveness of the Governance and Ethics Committee	25/02/2020	N/A – compliance check
Corporate	IR35	26/02/2020	N/A - Advisory
Commissioning	Contract Management	06/02/2020	Satisfactory
Communities			
Adult Social Care	Better Care Fund	02/03/2020	Well Controlled
Economy and Environment			
Development and Planning	CIL	10/02/2020	Satisfactory
Public Protection and Culture	Building Control Shared Service	31/01/2020	Satisfactory

NOTE

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

2) COMPLETED FOLLOW UPS

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Date follow up finalised</u>	<u>Overall Opinion - Report</u>	<u>Opinion - Implementation progress</u>
Finance and Property	Procurement Cards	02/04/2020	Weak	Satisfactory

3) COMPLETED ADVISORY REVIEWS/OTHER WORK

Directorate/Service	Review Title	Date Audit Work Completed
Human Resources	Disciplinary investigation	March 2020
	LRIE Scrutiny Review	February 2020

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1) CURRENT AUDITS

Directorate – Corporate / Service	Audit Title	Current Position of Work	Audit Plan Year
Corporate	National Fraud Initiative	Undertaking the national exercise	2019/20
Corporate	Digitalisation Agenda	Ready for Review	2019/20
Resources			
Finance and Property	Council Tax	Ready for Review	2019/20
Finance and Property	Council Tax Reduction Scheme	Ready for Review	2019/20
Communities			
Adult Social Care	DoLS	Testing	2019/20
Children and Families	Turnaround Families Grant Claim work	Ongoing	2019/20
Children and Families	Social Worker Recruitment and Retention Scheme	Ready for Review	2019/20
Education	Early Years Grant	Ready for Review	2019/20
Education	Mortimer St Mary's Primary School	Report Being Drafted	2019/20
Education	Mortimer St John's Primary School	Report Being Drafted	2019/20
Education	Birch Copse Primary School	Report Being Drafted	2019/20
Education	Welford and Wickham Primary school	Draft Report Issued	2019/20
Economy and Environment			
Public Protection and Culture	Environmental Health Shared Service – Licensing	Testing	2019/20
Transport and Countryside	Highways Maintenance Contract	Testing	2019/20

Development and Planning	Purchase and Utilisation of Council Properties	Background	2019/20
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2) CURRENT ADVISORY REVIEWS/OTHER WORK

Audit/Review Title	Current position of work
DWP Data Access queries	Ongoing
Fraud Investigation	Ongoing

3) CURRENT FOLLOW-UPS

None

Annual Governance Statement

Committee considering report:	Governance and Ethics Committee
Date of Committee:	24.08.2020
Portfolio Member:	Councillor Jo Stewart
Date Portfolio Member agreed report:	30 July 2020
Report Author:	Joseph Holmes
Forward Plan Ref:	GE3823

1 Purpose of the Report

- 1.1 The report sets out the Annual Governance Statement (AGS) for the Council for 2019-20.
- 1.2 This report outlines issues that Corporate Board considered should be included in the 2019-20 AGS as requiring action to resolve.

2 Recommendation

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

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None directly
Human Resource:	None directly
Legal:	This report is a requirement that it must be considered by the Governance & Ethics Committee

Risk Management:	See the main report detailing the action plan to mitigate overall risks raised in the AGS			
Property:	None directly			
Policy:	None directly			
	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?				
Environmental Impact:				None
Health Impact:				None
ICT Impact:				None
Digital Services Impact:				None
Council Strategy Priorities:		X		The AGS supports the Council Strategy through focussing on areas to help improve its delivery

Core Business:		X		The AGS focusses on areas that can improve core business
Data Impact:		X		None
Consultation and Engagement:	This report has been considered by Corporate Board and the portfolio holder.			

4 Executive Summary

- 4.1 The Annual Governance Statement (AGS) is a core document that sets out the Council’s governance arrangements and a review of their effectiveness. The AGS must be reviewed and approved by the Governance & Ethics Committee annually and is published with the financial statements.
- 4.2 The review for 2019-20 has highlighted four key areas to include in the AGS with an accompanying action plan. There has been an impact due to Covid-19, though this has been much less pronounced for the previous financial year, than the current one.
- 4.3 The four key areas below have been highlighted due to a review of internal and external pieces of evidence as the key areas to improve upon in respect of governance this year:
- Delivering effective engagement
 - Capacity to deliver projects
 - Improving Asset Management
 - Commercial investment

5 Supporting Information

Introduction

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

Background

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

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

Annual Governance Statement

- 5.3 A copy of the AGS for 2019-20 is attached to this report, for review, at Appendix B.
- 5.4 The Council relies on a number of sources of information to carry out the review of the system of internal control and effectiveness. These include:
- Service risk registers
 - The Audit Manager's annual report
 - Reports from external regulators, e.g. OFSTED, Grant Thornton (the Council's External Auditor), the LGA (peer review process).
- 5.5 This evidence provides the assurance that enables the Leader and Chief Executive to sign the AGS with confidence.
- 5.6 The Chief Executive reviewed the governance arrangements in 2019/20 to ensure that these align with the new Council Strategy.
- 5.7 A key element of the review of the system of internal control is the identification of any weaknesses or risks in the system, along with recommendations to mitigate such issues. Then in the subsequent year further report is made on progress with implementing agreed recommendations.
- 5.8 The Annual Governance Statement for 2018-19 outlined the following issues of concern:
- The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes.
 - Financial management arrangements in demand led social care areas need to be strengthened to mitigate the chances of unplanned budget overspends occurring.
 - Overview and governance of school funding needs to be strengthened particularly in light of a significant overspend within the High Needs Dedicated Schools Grant Block.
- 5.9 The first item has been carried forward to 2020-21. Given the impact of Covid-19 on the economic position of the country, this remains a risk and focus for the year ahead as commercialisation will have a different risk and a change in the Council's ability to enter different commercial environments. The Government is also currently consulting on changes to Council's ability to borrow for commercial only activities.
- 5.10 The financial management items have been addressed during the financial year. Additional focus has been placed on ASC monitoring and modelling; the underlying financial position in ASC has improved as highlighted by an underspend during 2019-20. Focus has also been placed on the DSG and additional reporting has taken place through to the School's Forum.

Covid-19 and impact on the AGS

- 5.11 This report is focussed on 2019-20. At this point, the Covid-19 outbreak had only just begun. There has been a significant impact on the Council as a result of this and for

2020-21 there will be a number of enhancements to the Council's governance as a result of the learning from the Covid-19 outbreak. At the time of writing (July 2020), the Council has started to implement a recovery strategy whilst also completing a number of actions through the response to the Covid-19 outbreak. For the 2019-20 AGS, the impact of Covid-19 has not had a significant impact on the key issues that have arisen in respect of the outbreak, though this has enhanced some of the focus on the areas, especially engagement.

Proposals

5.12 In light of the issues raised during the year and after a review of effectiveness, the following four areas are the focus for 2020/21:

- **Delivering effective engagement** - Ensuring effective engagement with stakeholders through which to hear the voice of the resident more. **Core recommendation from the LGA peer review**
- **Capacity to deliver projects** - ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses. **Core to delivering the Council Strategy**
- **Improving Asset Management** - ensuring that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and maintenance of assets. **Recommendation from Internal Audit and links to internal audit review**
- **Commercial investment** – The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes. **Brought forward from 20-21**

6 Other options considered

6.1 None. The production of the AGS is a requirement to be completed annually.

7 Conclusion

7.1 A key function of the Governance and Ethics Committee is to review and approve the AGS for 2019-20 prior to it being signed off by the Chief Executive and Leader of the Council, and review the conclusion reached.

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

8 Appendices

Appendix A – Annual Governance Statement

Appendix B – Action plan

Background Papers:

2018-19 Annual Governance Statement

LGA Peer review – November 2019

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 Overview and Scrutiny Management Committee or associated 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)
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E-mail: Joseph.Holmes1@westberks.gov.uk

Document Control

Document Ref:		Date Created:	
Version:		Date Modified:	
Author:			
Owning Service			

Change History

Version	Date	Description	Change ID
1			
2			

Appendix A – Annual Governance Statement

1. Scope of Responsibility

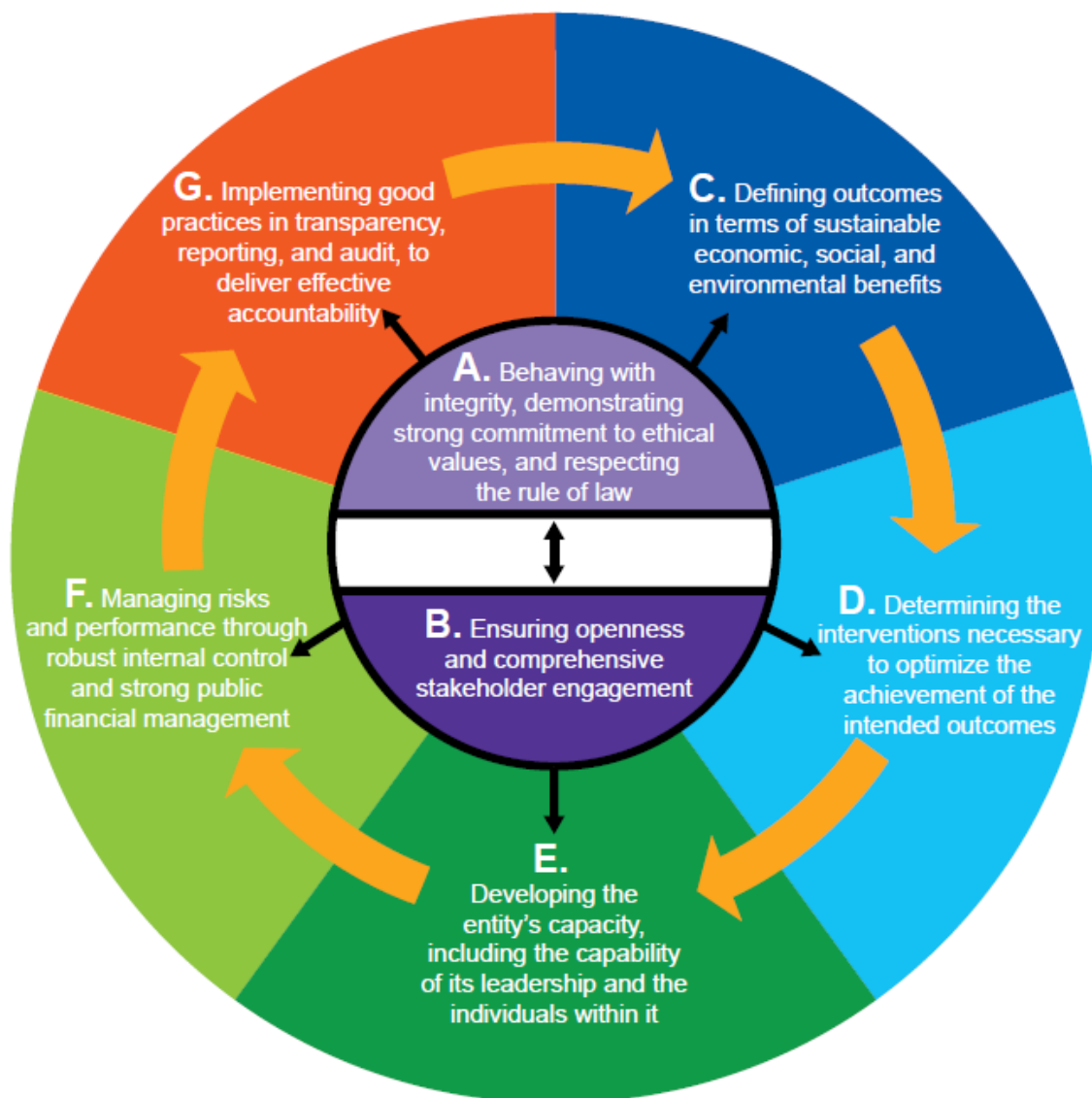
- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 This Statement explains how West Berkshire Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.
- 1.4 The Council has currently undertaking a comprehensive review of its Constitution to improve its governance and decision making. The Council is also delivering an action plan following a corporate peer challenge led by the Local Government Association November 2019.

2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

3. The Principles of Good Governance

3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:



4. Methodology for preparing the Annual Governance Statement

4.1 The Annual Governance Statement has been prepared using a process similar to that used in previous years, including;

- Review of the annual Internal Audit report and quarterly internal audit progress reports.
- The work of the Finance and Governance Group reviewing the Constitution on annual basis and referring changes to the Governance and Ethics Committee and Council
- The Audit and Governance Committee approves the Annual Governance Statement at the same time as the final approval of the financial statements and is signed off by the Chief Executive or Section 151 officer and Leader of the Council.
- Review of the Corporate risk Register by the Corporate Board and Governance & Ethics Committee

Annual Governance Statement

- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman and external auditor Grant Thornton.

5. The Governance Framework

5.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements. These elements form our local code of Governance and these are underpinned by the CIPFA / SOLACE framework above and core principles of good governance which are:-

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

5.2 The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of the Executive, portfolio holders, each committee and Members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution and has adopted codes of conduct for both Officers and Members which facilitate the promotion, communication and embedding of proper standards of behaviour. Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

5.3 The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Executive /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make decisions under delegated authority. The over-arching policy of the Council is decided by the full Council.

5.4 The Overview and Scrutiny Management Committee and Governance and Ethics Committee hold Portfolio Holders to account for delivery of the Council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.

5.5 The Council engages with its communities through a number of channels, including consultation events, surveys and campaigns relating to specific initiatives.

Annual Governance Statement

- 5.6 The Council Strategy is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in service plans. More detailed service plans are drawn up by teams across the Council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.
- 5.7 Progress against the Council Strategy outcomes and budgets is monitored regularly by the Executive Leadership Board and Portfolio Holders. The Scrutiny Committee receives quarterly reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Portfolio Holders also monitor progress in delivery.
- 5.8 The Council has an officer Strategic Leadership Team to monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 5.9 The Council publishes an Annual Financial Report (incorporating the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 5.10 The Council is subject to independent audit by Grant Thornton and receives an Annual Audit Letter reporting on findings. The Council supplements this work with its own internal audit function and ad hoc external peer reviews. The Governance & Ethics Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 5.11 The Council has arrangements for managing risk in its Risk Management Policy.

6. Review of effectiveness

- 6.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Teams who have responsibility for the development and maintenance of a sound governance environment.
- 6.2 Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Acts, and Equality requirements.
- 6.3 The Council has appointed the Executive Director (Resources) as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Executive Director (Resources) is a member of the Executive Leadership Team.
- 6.4 The Council has appointed the Service Director (Strategy & Governance) as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.

Annual Governance Statement

- 6.5 All Executive reports are reviewed by the S151 and Monitoring Officer. All reports to Executive are required to demonstrate how the subject matter links to the Council Strategy and highlight resource implications. Officers are also asked to draw out risk, equality, environmental, management and legal issues as appropriate. Similar procedures are in place for the other Council Committees.
- 6.6 The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council's Governance & Ethics Committee deals with complaints relating to the conduct of Members.
- 6.7 Members' induction training is undertaken after each election. Members also receive regular updates and training on developments in local government.
- 6.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

The Council collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.

The Executive receives regular monitoring reports on revenue and capital expenditure and performance.

Governance and Ethics Committee approves the annual audit plan, monitors the internal control environment through receipt of audit reports and this Statement, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts.

External Audit external audit is provided by Grant Thornton. Whilst the external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance following the annual audit of the Council's financial accounts.

Internal Audit The internal audit team provide the Council with an internal audit service which includes the Council's entire control environment. The Internal Audit Manager takes account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the Council's objectives.

The Internal Audit Plan is based on the Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Governance & Ethics committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in this Statement.

There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

Considering all of the arrangements and frameworks, the table below sets out a summary of the review of the Council's effectiveness:

Theme	Comments
<p>Identifying and communicating West Berkshire Council’s Strategy that sets out its purpose and intended outcomes for citizens and service users</p>	<p>A new Council Strategy for the period 2019 to 2023 was approved at Council on the 23rd May 2019, following public consultation and engagement.</p>
<p>Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council’s Strategy and ensuring that they represent the best use of resources</p>	<p>Quarterly reports detailing performance against targets, which are linked to the Council Strategy priorities, are considered and reviewed by Executive.</p>
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</p>	<p>The Council has a published Consultation Policy, which was last updated in January 2019.</p> <p>The Council also has a Community Panel and consultation exercises are promoted through the usual media channels including the Council’s social media accounts. Individual Council Services will send targeted e-mails inviting specific users to respond to specific consultations where it is appropriate to do so.</p> <p>The Local Government Association (LGA) peer review in November 2019 highlighted this a key area to strengthen with the two recommendations below</p> <ul style="list-style-type: none"> • <i>Jointly design with residents the mechanisms through which to hear their voice more</i> • <i>Respond to the desire partners have for the council to lead the setting of a clear direction for West Berkshire into the future and influence the place it should be – raising the ambition, establishing clarity of purpose and sharpening the focus</i>

Theme	Comments
<p>Consultation on the budget and proposed budget reductions which affect service users are planned in good time and adhere to the Council’s own consultation policy. The Council will also continue to ensure that the requirements of an Equality Impact Assessment are met and ask our residents how a proposed reduction in service might impact on them or others, and how any impact arising out of the proposal could be mitigated</p>	<p>During the financial year 2019-20 the budget consultation for 2020-21 did highlight the need for any specific budget consultation. Previous consultations have been undertaken and are accompanied within consultation policy.</p>
<p>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication</p>	<p>The Articles of the Constitution summarises the roles and responsibilities of the Executive, Council, OSMC and other committees, together with the role of a number of statutory officers.</p>
<p>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff</p>	<p>The officers and members codes of conduct, were updated in March and December 2018 respectively, to provide updated guidance on the use of social media.</p> <p>Training on dealing with Code of Conduct Complaints was undertaken by the Governance and Ethics Committee in September 2019.</p> <p>The constitution is currently being reviewed.</p>
<p>Reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, The Scheme of Delegation, which clearly define how decisions are taken and the processes and controls required to manage risks</p>	<p>A Task Group has been set up review the Constitution. Work is ongoing.</p>
<p>Ensuring the authority’s financial management arrangements conform with the governance requirements of the CIPFA Statement on “The Role of the Chief Financial Officer in Local Government (2016)”</p>	<p>The Council’s financial management arrangements are regularly reviewed by the Finance and Governance Group to ensure compliance with this CIPFA Statement.</p>

Theme	Comments
<p>The Governance and Ethics Committee which performs the core functions of an audit committee, as identified in CIPFA’s “Audit Committees – Practical Guidance for Local Authorities”</p>	<p>A review of the effectiveness of the Governance and Ethics Committee was undertaken in 2019. The resulting report was submitted to the Committee in November 2019. The review concluded that the Committee is undertaking most of the responsibilities expected of an audit committee, but not all the key activities recommended in CIPFA’s 2018 guidance update.</p> <p>Internal Audit found that there is scope for improvement in the way the Committee understands and reports on its own activity, for example: refreshing its Terms of Reference; understanding members’ relevant skills and knowledge; undertaking training to improve the Committee’s ability to challenge and assess key assurance reports. The Committee should also be able to assess its own activity and performance, and produce at least an annual report on this.</p>
<p>The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful</p>	<p>The Finance and Governance Group meets on a monthly basis and is chaired by the Head of Finance and Property and includes the Council’s s151 Officer and Monitoring Officer.</p>
<p>Conducting a regular review of the effectiveness of Internal Audit</p>	<p>Internal Audit were subject to an external assessment during 2018 as required by the Public Sector Internal Audit Standards (PSIAS). The conclusion of that review was that Internal Audit ‘generally conforms’ to the PSIAS requirements, which is the highest compliance category used for this assessment.</p> <p>An update on progress of the review recommendations was provided to G&E in November 2019. From the 4 recommendations made, 3 had been implemented with the remaining one being work in progress. From the 5 suggestions for improvement 4 had been implemented with the remaining one being work in progress.</p>

Theme	Comments
<p>Whistle blowing procedures for receiving and investigating complaints from staff or the public</p>	<p>The Council has policies in place, which are currently being reviewed by the Council's Audit Manager to ensure that they remain fit for purpose.</p> <p>The Anti-Fraud and Corruption, Money Laundering and Bribery Act policies were approved by G & E in November 2019. These policies have links/make reference to the Whistleblowing Policy.</p>
<p>Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.</p>	<p>The Member Development Programme was approved by Council in March 2020.</p> <p>The training needs and development of senior officers is dealt with via the appraisal system.</p>

7. Key Governance areas for improvement

7.1 The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the coming years and these are:

- Delivering effective engagement - Ensuring effective engagement with stakeholders through which to hear the voice of the resident more
- Capacity to deliver projects - ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses.
- Improving Asset Management - ensuring that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and maintenance of assets.
- Commercial investment – The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes

8. Assurance Summary

- 8.1 Good governance is about operating properly. It is the means by which the Council shows that it is taking decision for the good of its residents, in fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the Council would find it difficult to operate services successfully.
- 8.2 The Internal Audit Opinion for 2019/209 is that the Council’s framework of governance, risk management and management control is ‘reasonable’ and that audit testing carried out during the year has demonstrated controls to be working in practice. The assessments contained within this document highlight that there are effective arrangements in place to deliver good governance but that four key areas are highlighted to further improve our governance.
- 8.3 We propose, over the coming year, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.



Lynne Doherty
Leader of the Council

Date: 3rd August 2020



Nick Carter
Chief Executive

Date: 3rd August 2020

Appendix B

Action plan – 2019-20

Item	Action	Responsible officer	Progress
Financial management – Adult Social Care (ASC)	A review of the ASC forecast overspend position was undertaken by the Chief Executive and Audit Manager during 2018/19, and made a number of recommendations to strengthen the financial management arrangements within ASC and across the Council. These recommendations are being implemented according to an agreed plan and will be closely monitored for their effectiveness.	Chief Executive/Audit Manager	Complete
Financial management – Schools DSG	Regular reporting of School DSG funding performance to be embedded within existing financial performance arrangements.	Head of Finance & Property	
Commercial	The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes	Head of Legal services	Carried forward to 2020-21 due to macro-economic position

Action plan – 2020-21

Item	Action	Responsible officer	Date for completion
Delivering effective engagement - Ensuring effective engagement with stakeholders through which to hear the voice of the resident more	Completion of a new Engagement Strategy and approach.	Chief Executive	October 2020
Capacity to deliver projects - Ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses.	Rollout of training programme on new project methodology across management	Performance, Research & consultation manager	Oct 2020
	All new projects to be supported by business case through the project methodology	Performance, Research & consultation manager	Ongoing
	Regular monitoring and management through corporate project governance	Service Director (Strategy & Governance)	March 2021

Annual Governance Statement

Item	Action	Responsible officer	Date for completion
Improving Asset Management - Ensure that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and maintenance of assets.	<p>Completion of all outstanding internal audit recommendations</p> <p>Completion of Asset challenge process through all asset types</p>	<p>Head of Finance & property</p> <p>Property services manager</p>	<p>Dec 2020</p> <p>Dec 2021</p>
Commercial activity	The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes	Service Director (Strategy & Governance)	March 2021

DRAFT Going Concern Assessment as at 31st March 2020 and Supporting Draft Executive Director's Narrative Statement for the 2019/20 Financial Statements

Committee considering report:	Governance and Ethics Committee
Date of Committee:	24 th August 2020
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed report:	
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	GE3822

1 Purpose of the Report

- 1.1 This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2019/20.

2 Recommendation(s)

- 2.1 The following recommendations are made:
- (a) On the basis of the s151 Officer's assessment, it is proposed that this report is provided as a working paper to the external auditor confirming the going concern assessment has been completed and the conclusion maintains the assertion the council is a going concern as at the Balance Sheet date of 31st March 2020.
 - (b) To note the draft Narrative Statement

3 Implications and Impact Assessment

Implication	Commentary
Financial:	Based on the review undertaken, there is no imminent risk to the going concern assertion. Joseph Holmes, Executive Director for Resources, S151 Officer.

Human Resource:	Not applicable			
Legal:	The Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.			
Risk Management:	A risk review has been undertaken in response to the national lockdown and COVID pandemic. The financial impacts have not had a detrimental impact on the going concern assertion. Detailed risk analysis is included in Appendix A.			
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:	<p>Cllr Ross Mackinnon; Executive Portfolio Holder for Finance and Economic Development</p> <p>Joseph Holmes, Executive Director for Resources, S151 Officer</p> <p>Andy Walker, Head of Finance and Property</p>			

4 Executive Summary

- 4.1 The Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business. As part of this process the Council's appointed External Auditor require the Section 151

Officer to undertake a going concern assessment and assert if the Council is able to operate in the foreseeable future as a going concern.

4.2 In order to complete the assessment the following areas were reviewed:

- (a) The Council's provisional outturn (subject to change during the final closure of the financial statements by the 31st August any potential amendments required by External Audit) for 2019/20 is £1.46m, which is 1.2% of the Council's 2019/20 approved net revenue budget of £125m. The provisional outturn for the 2019/20 capital is a £52.4million underspend against a revised capital budget of £91.8million. £35million of the underspend is attributable to Commercial Property Investment Strategy budget which has not been utilised during 2019/20. During 2019/20 the Government announced that PWLB rates could no longer be accessed to fund assets used primarily to generate yield. On 23rd April 2020 the Property Investment Board (PIB) agreed a suspension in future commercial property acquisitions.
- (b) The revised Medium Term Financial Strategy (MTFS) for the three year period commencing 2020/21 identifies an annual funding gap of approximately £12million, this is at an assumed Council Tax increase of 1.99% in 2020/21 and 1.99% annually thereafter supported by an annual 2% increase for the adult social care precept. The Council has proposed a balanced budget for 2020/21 through a £3.24million savings strategy. The MTFS has proposed balanced budgets for 2021/22 and 2022/23 with savings targets of £6.25million and £6.2.9million respectively. The three year capital programme from 2020/21 to 2022/23 allocates £111.2million of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources.
- (c) The authority's net assets amounted to £98million (£48.4million as at March 2019) and were significantly reduced by the inclusion of the pension scheme liability of £288million (£317million, March 2018). In reality the Council has net usable reserves of £77million, (£71million, March 2019). **The figures in this section are estimates and will be confirmed on completion of the draft financial statements.**
- (d) With regard to cash flow, as at the 31 March 2020 the Council held £32million of investments (£34million, March 2019). At March 2020 the PWLB loans balance increased to £202.3million, via funding investment in operational assets (£7.7million) offset by £5.8million of loan repayments. Total debt at 31st March 2020 was £219.3million, inclusive of £13million of funding embedded in the Waste PFI and £4million of temporary borrowing.
- (e) The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The governance framework was in place at the Council for the year ended 31 March 2020 and for the year commencing 1 April 2020. The review process is outlined in the Annual Governance Statement, which as at 2019/20 was deemed fit for purpose and is reviewed as part of the control framework in 2020/21.

4.3 Having considered the assessment above and the overall financial strength of the Council, it is concluded by the Section 151 Officer (Executive Director for Resources)

that this assessment does not contain an imminent risk to the going concern assertion. This opinion will be finalised upon completion of the 31st March 2020 Balance Sheet, it is anticipated that the Section 151 Officers conclusion will support the going concern assertion.

5 Supporting Information

Introduction

5.1 As requested by the Council's appointed External Auditor Grant Thornton, and as part of the closure of the 2019-20 financial statements, a going concern assessment as at the Balance Sheet date of 31st March 2020 has been completed. In light of the Covid-19 outbreak and the significant expenditure, and lost income, for the Council as well as the financial support provided by Government, this is increasingly important.

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

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

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

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

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

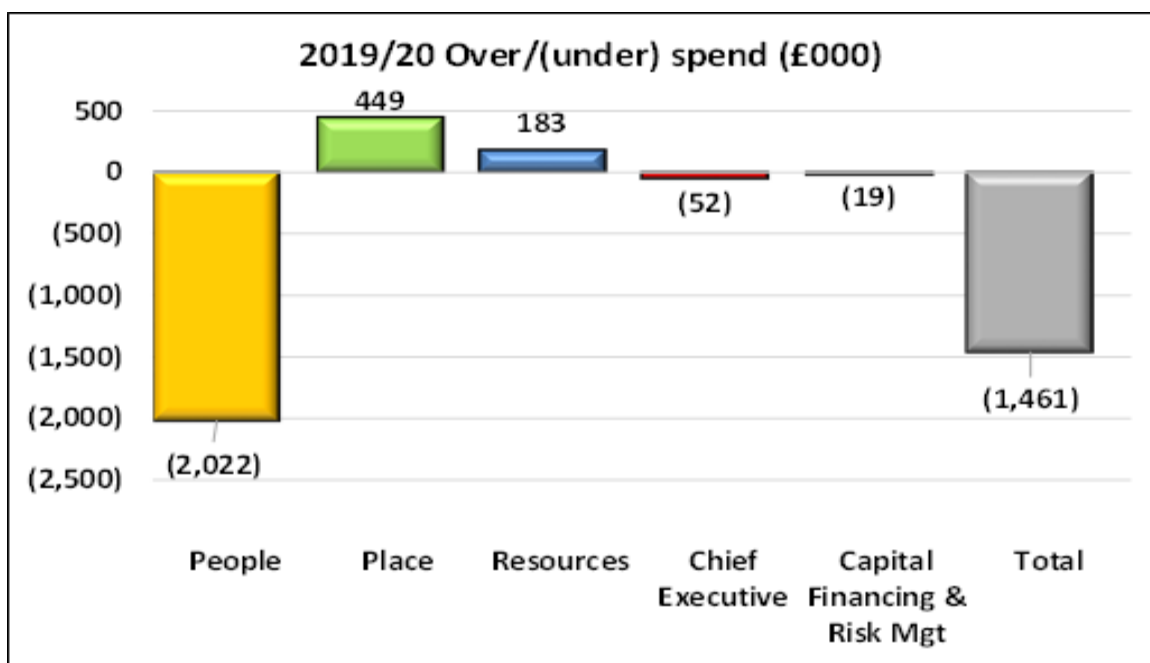
5.5 In order to complete the assessment the following areas were reviewed:

- (a) The Council's current financial position;
- (b) The Council's projected financial position;
- (c) The Council's Balance Sheet;
- (d) The Council's cash flow;
- (e) The Council's governance arrangements;
- (f) The regulatory and control environment applicable to the Council as a local authority.

Background

5.6 The Council's Current Financial Position is outlined below. The figures for the 2019-20 financial year are subject to further amendments completed by the time the Financial Statements are approved by the s151 officer by the 31st August 2020.

- (a) The Council's provisional outturn (subject to any potential amendments required by External Audit) for 2019/20 is £1.46m, which is 1.2% of the Council's 2019/20 approved net revenue budget of £125m. The underspend will be transferred to the General Fund. The Council and individual directorate positions is shown below.



- (b) A formal review of reserves and key financial risks is undertaken as part of the annual budget setting process. Assessment of key financial risks includes allowances for significant risks such as business rates volatility, and demand sensitivity of key services and ongoing potential impacts of the national lockdown in response to the COVID pandemic. Service specific risk reserves have been

established, the levels of these reserves are informed by the level of risks detailed in individual service risk registers.

- (c) The Council has set a balanced budget for 2020/21, inclusive of £6.24million of savings, of which £5.24million relate to transformation. A capital programme of £111.2million has been set for the next three years, inclusive of £52.5m of investment funded via Council borrowing.
- (d) The Medium Term Financial Strategy (MTFS), incorporates the following key assumptions:
 - (i) The provisional settlement figures were issued on 20th December 2019 and the final settlement is anticipated to be announced in February 2020. The underlying principles from Central Government remain similar to in previous year, though the proposed settlement for 2020/21 has seen the introduction of £1bn nationally of social care funding. The Government has proposed to protect all social care grants from 2019/20 as well as providing one-off grant funding for 2020/21 to spend on social care services for children and adults.
 - (ii) Council Tax funds 68% of the revenue budget. The MTFS is built on a 1.99% Council Tax increase and a 2% Council Tax increase through the adult social care precept each year. The tax base growth is built at 0.3% in 2020/21 and at 0.6% thereafter, with a collection rate of 99.6%.
 - (iii) It has been announced that negative Revenue Support Grant will not be charged in 2020/21. Negative RSG is the name given to a downward adjustment of a local authority's business rates tariff, as a consequence of changes to distribution methodology adopted in 2016/17.
 - (iv) Retained Business Rates represents the Council's share of the actual business rate collected in West Berkshire. For 2020/21, West Berkshire will no longer be part of the Berkshire business rates pilot under a 75% retention scheme, and will return to the 50% scheme.
 - (v) The New Homes Bonus will fund all legacy payments associated with previous allocations, and there is a proposed new round of allocations for 2020/21. The Government will be exploring other ways to incentivise growth, and any new 2020/21 allocations will not result in legacy payments in future years.
- (e) The assumptions underpinning the MTFS are kept under regular review to ensure forecasts remain robust. Greater detail and underlying assumptions are provided within the Executive Directors Narrative Statement which forms part of the 2019/20 Financial Statements and is included in Appendix B.

5.7 The Council's Projected Financial Position - Revenue

- (a) The revised MTFS for the three year period commencing 2020/21 identifies a funding gap of approximately £12million over the three year MTFS period. This is at an assumed Council Tax increase of 1.99% per year and an annual 2% adult social care precept.

- (b) The Council has proposed a balanced budget for 2020/21 through a £3.24million savings strategy. The MTFS has proposed balanced budget for 2021/22 requires savings of £6.3m, though the Government's announcement that the fair funding review and increased business rates retention will be delayed until 2021-22 has reduced this assumption.
- (c) The 2020/21 budget is supported through an estimated £7.97million General Fund Reserve and estimated Earmarked reserves of £13.38million supporting key risk areas. Earmarked reserves are reviewed as part of the annual budget setting process. **Reserve levels will be updated on completion of the 31st March 2020 Balance Sheet.**
- (d) A specific earmarked COVID reserve has been created from Government funding to fund emerging pressures. £3.2million of unrestricted COVID emergency support grant was received in March 2020. As at 31st March 2020, £52k of expenditure had been incurred in response to the COVID pandemic and £193k of income was lost largely due to car parking closures. The Council has also benefited from £3.5million of section 31 Business Rate Relief for 2020/21 being paid in advance by central government. Key areas of COVID specific risk assessed are detailed in Appendix A. Though this did not have a material impact on the financial statements in 2019-20, the impact in the new financial year; 2020-21 is material. Appendix A considers some of the key risks that have arisen.

5.8 The Council's Projected Financial Position – Capital

- (a) The provisional outturn for the 2019/20 capital is a £52.4million underspend against a revised capital budget of £91.8million. £35million of the underspend is attributable to Commercial Property Investment Strategy budget which has not been utilised during 2019/20. During 2019/20 the Government announced that PWLB rates could no longer be accessed to fund assets used primarily to generate yield. On 23rd April 2020 the Property Investment Board (PIB) agreed a suspension in future commercial property acquisitions.
- (b) The three year capital programme from 2020/21 to 2022/23 allocates £111.2million of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources. £55.2million of Council funding has been allocated to the programme, sourced from a combination of prudential borrowing and anticipated capital receipts. Operational assets are funded from borrowing financed through the Council's revenue budget for capital financing. Annual increases of £500K for 2020/21 and £525k and £550k for 2021/22 and 2022/23 respectively have been built into the revenue capital financing budget and MTFS.
- (c) As at 31 March 2019 the Council held usable capital reserves of £41.1million. Current usable balances as at 31st March 2020 are £40.6million.

5.9 The Council's Balance Sheet at 31st March 2020

- (a) The robustness of the Council's balance sheet for 2019/20 will be reassessed on completion of the draft financial statements and reported to the Governance and Ethics Committee in August 2020. Factors giving included in the assessment:

- (i) Review of debts owed to the Council;
 - (ii) An assessment of the Council's net worth;
 - (iii) The adequacy of risk-assessed provisions for doubtful debts and other potential costs;
 - (iv) The range of reserves set aside to help manage expenditure (reported under current revenue position);
 - (v) An adequate risk-assessed working balance to meet unforeseen expenditure (reported under current revenue position).
- (b) The authority's net assets amounted to £98million (£48.4million as at March 2019) and were significantly reduced by the inclusion of the pension scheme liability of £288million (£317million, March 2019). In reality the Council has net usable reserves of £77million, (£71million, March 2019). **This section will be updated on completion of the 31st March 2020 Balance Sheet.**

5.10 The Council's Cash Flow

- (a) The Council maintains short and long term cash flow projections. The Council maintains long term borrowing commitments to support the capital programme and the Property Investment Strategy. Borrowing is predominately undertaken from the Public Works and Loans Board (PWLB).
- (b) As at the 31 March 2020 the Council held £32million of investments (£34million, March 2019). **This section will be updated on completion of the 31st March 2020 balance Sheet.**
- (c) At March 2020 the PWLB loans balance increased to £202.3million, via funding investment in operational assets (£7.7million), offset by £5.8million of loan repayments. Total debt at 31st March 2020 was £219.3million, inclusive of £13million of funding embedded in the Waste PFI and £4million of temporary borrowing.
- (d) The current operational boundary for long term debt is set at £293million for 2020/21 with an authorised limit set £10million higher to allow for any unforeseen borrowing needs. The limits have been increased to £300million for 2021/22 and £313million in 2022/23 to support increased spending on the Council's capital programme. At the time of setting the increased boundaries, ongoing investment into the Council's Commercial Property Investment Strategy was taken into consideration. Post approval of the boundaries, the Council has determined to cease investment in the strategy, the boundaries will be subject to review and potential revision during 2020/21 as part of the future setting of the capital strategy and supporting programme.

5.11 The Council's Governance Arrangements

- (a) The Council has approved and adopted a code of corporate governance in its Annual Governance Statement, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

- (b) The governance framework comprises the systems and processes, and culture and values, by the Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- (c) The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- (d) The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within West Berkshire Council who have responsibility for the development and maintenance of the governance environment.
- (e) The governance framework was in place at the Council for the year ending 31 March 2020 and for the year commencing 1 April 2020. The review process is outlined in the Annual Governance Statement, which as at 2019/20 was deemed fit for purpose and is reviewed as part of the control framework in 2020/21.

5.12 The External and Regulatory Framework

- (a) The Council operates within a highly legislated and controlled environment. The Council is required to set a balanced budget each year combined, taking into account robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

Proposals

5.13 The following recommendation are made:

- (a) On this basis of the s151 Officer's assessment, it is proposed that this report is provided as a working paper to the external auditor confirming the going concern assessment has been completed and the conclusion maintains the assertion the council is a going concern as at the Balance Sheet date of 31st March 2020.
- (b) The Annual Governance Statement included in section 13 of the Executive Directors Narrative Statement (Appendix B) is agreed.

6 Other options considered

No other options have been considered.

7 Conclusion

7.1 Having considered the assessment above and the overall financial strength of the Council, it is concluded that this assessment does not contain an imminent risk to the going concern assertion. The key risks from the 2019-20 financial year, the financial performance and the Covid-19 outbreak have all been considered.

Appendices

7.2 This report is supported by the following appendices:

Appendix A – COVID Specific Financial Risks

Appendix B – Executive Directors Narrative Statement for the 2019/20 Financial Statements

Background Papers:

None

Subject to Call-In:

Yes: No: X

The Report is to note only X

Wards affected: All

Officer details:

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Document Control

Document Ref:		Date Created:	
Version:		Date Modified:	
Author:			
Owning Service			

Change History

Version	Date	Description	Change ID
1			
2			

Appendix A

COVID Specific Financial Risks

Below is a summary of some of the key COVID specific risks. This has been produced in early August 2020 so is after the balance sheet date, but provides an overview of the key impacts due to Covid and their influence on the Going Concern assessment after the balance sheet date.

Item	Response
<p>Additional expenditure pressures – especially:</p> <ul style="list-style-type: none"> - Adult Social Care - Leisure services - Community Hub - Housing 	<p>Government have provided non ring-fenced funding of £8.6m to support the Council in its response to Covid-19. This figure has been received in three separate tranches.</p> <p>The Council monitors this on a weekly basis.</p> <p>The latest assessment is that the funding provided by Government and the income scheme below are sufficient for the 2020-21 Financial Year based on current estimates. Clearly, these can fluctuate, and will in light of further impacts from the Covid-19 outbreak. The Council also has general reserves to support further impacts and these are above the minimum level set by the s151 officer.</p>
<p>Income pressures, the most significant being:</p> <ul style="list-style-type: none"> - Car parking income - Adult Social Care - Other Sales, fees and charges 	<p>Government have provided an income share scheme. The details, at the time of writing, have not been provided in full, but the overview is:</p> <ul style="list-style-type: none"> - That the Council funds the first 5% of losses - That the Council shares 25% and Government 75% of all further losses.
<p>Cashflow risks</p>	<p>Government provided up front funding of, for example, business grants and paused the payment required for business rates</p>
<p>Specific grants provided by Government for key areas of activity, for example (though not exhaustive);</p> <ul style="list-style-type: none"> - £1.4m for care home infection grant - £0.1m for high street support - £0.5m for outbreak control 	<p>These funds are being applied to support service specific pressures and/or to provide services through the grant.</p>

<ul style="list-style-type: none"> - £0.6m for Council Tax support - £0.1m for Active Travel 	
<p>Losses on Council Tax and Business Rates</p>	<p>The Council Tax collection rate has held up well to date; collection is marginally down, but the Council did offer the ability to amend the two months of non Council Tax payment to early in the financial year.</p> <p>The Council made a quick early decision in March to suppress business rates recovery and the initial direct debit to support businesses. The Government have also provided a significant amount of business rates reliefs.</p> <p>The Government have announced that the collection fund deficit can be spread across a three year period rather than one year. This option will be considered as part of the budget setting process for the March Council.</p>
<p>Impact on 201-22 budget setting</p>	<p>The long term flow of changed costs and lost income is difficult to estimate in detail. However, the budget for the year ahead is being prepared with adjustments for Covid-19.</p> <p>The Government has also paused the roll out of the fair funding review and further retention of business rates which reduces by just over £1m the savings requirement for 2021-22 on the assumption that all changes are paused, including the rest of business rates baselines.</p>

Executive Directors Narrative Statement 2019/20

Appendix B

1. Finance and Resources

The Council has had an ongoing focus on ensuring strong financial management and resilience. The outturn for the FY 2019-20 will help to support the Council's resilience as well as having continued to deliver a wide range of well receive services. A recent peer review through the Local Government Association supported that the Council has:

Sound financial management with a good track record of delivering savings and increasing income, a £131m capital programme, £100m investment fund and a £1m Transformation fund to help deliver change in the organisation.

Local government finances are increasingly stretched and the sector faces significant financial challenges in the coming years. The current national economic outlook is uncertain. The extraordinary events currently experienced in relation to the COVID 19 pandemic following a decade of financial reductions which already placed considerable strain on local authorities. Increased demand for many public services, directly related to the outbreak of the virus have placed an immediate pressure on local authority cashflows and expenditure budgets. The longer term local and national consequences of a recession triggered by the pandemic have yet to be fully experienced.

The Council prides itself on ensuring services deliver high outcomes and offer value for money, sound and prudent financial management supports this objective. As demonstrated by the Financial Statements, the Council remains financially resilient and prepared to meet future challenges.

Joseph Holmes

Executive Director for Resources, s151 Officer

Date:

2. District of West Berkshire

West Berkshire spans 272 square miles. The district lies at the convergence of two key roads – the M4 and the A34, both providing direct links with key urban centres in the southern region (London, Reading, Southampton, Bristol, Oxford and Swindon). The district has good rail links, with London less than an hour away and further connections, via reading, to all the mainline routes throughout the country.

DRAFT Going Concern Assessment as at 31st March 2020 and Supporting Draft Executive Director's Narrative Statement for the 2019/20 Financial Statements

The district services an estimated population of 159,000, split between a demographic of 128,000 under 65 year olds and 31,000 residents over 65 years old. District residents predominately reside within the main market towns of Newbury, Thatcham and Hungerford. The average employment rate is 83.1% compared to the national average of 76%. The average crime rate across the district is 51.7% compared to an average rate of 74.3% across the South East region.

3. West Berkshire Council

The Council was created as a single tier (unitary) authority after the dissolution of Berkshire County Council in 1998. The boundary of the Council corresponds with the boundary of the former Newbury District Council.

The Council provides over 700 functions across the district and supports 68,090 properties. 95.7% of schools in the area have been judged good or better by Ofsted as at 31st December 2019.

The Council is made up of 43 Councillors who are elected every four years by the people registered to vote in West Berkshire. There are 24 electoral wards, each ward is represented by up to three Councillors. Politically the Council is currently composed of 24 Conservatives, 16 Liberal Democrats and three Green Party Councillors.

4. Council Strategy

The Council Strategy was refreshed in 2019/20 with a renewed focus on six priority areas. There is an accompanying action plan to deliver the strategy through from 2019-23. In light of Covid-19, the Strategy will need to be

reviewed to consider the implications of the outbreak on our future work.

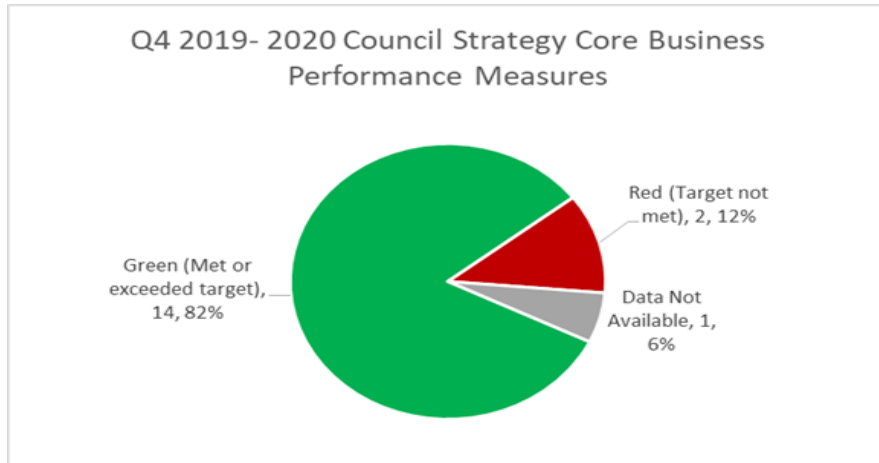


5. Councils Performance Achievements

The Council has a formal quarterly process for measuring performance against strategic objectives. As at 31 March 2020, total of 17 key accountable measures formed part of the reporting framework which monitors the Council's progress against the core business areas included in the Council Strategy.

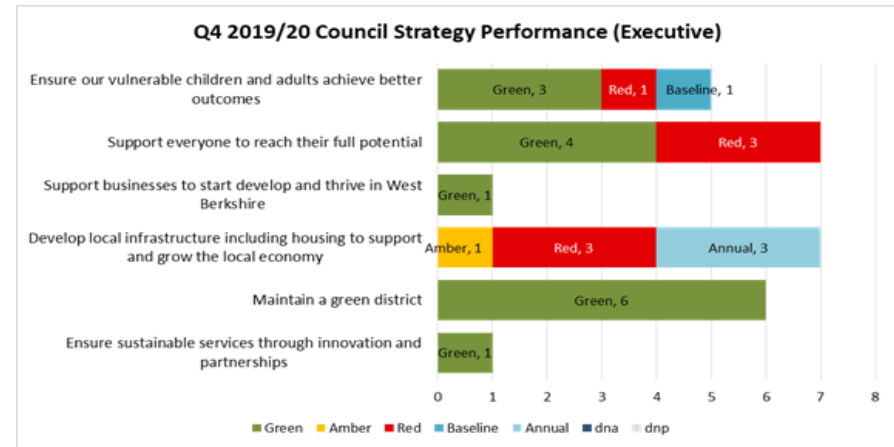
DRAFT Going Concern Assessment as at 31st March 2020 and Supporting Draft Executive Director's Narrative Statement for the 2019/20 Financial Statements

Provisional end of year results were better than the expected. Targets for 14 measures (82%) and were (RAG) rated 'Green'. Two measures (12%) were not achieved and were RAG Rated 'Red'.



Another component of the performance reporting framework focuses on the progress against delivery of the Council Strategy's Priorities for Improvement. The graphic below illustrates results achieved against each priority for improvement.

Performance information was available for 20 performance measures and an additional four were either annual or baselining measures.

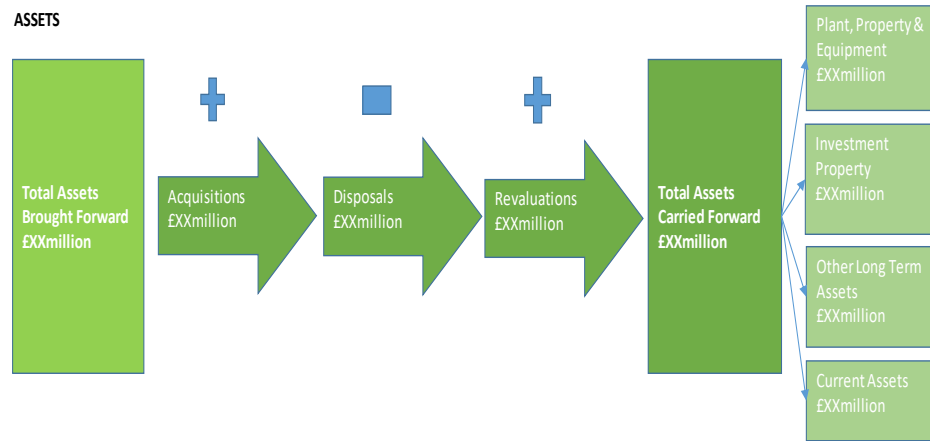


6. Financial Performance – Financial Context of the Council

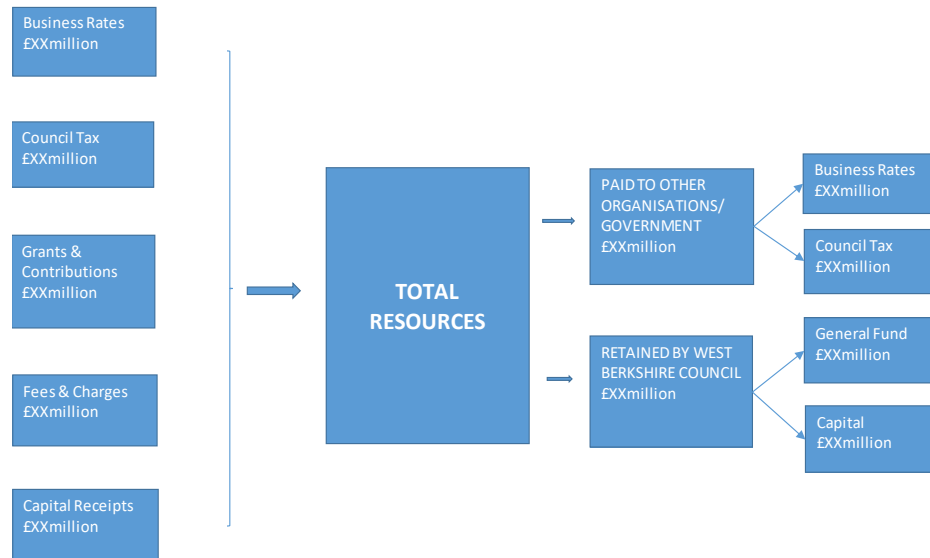
The Council manages net cashflows and assets of over £98million through:

1. Collecting over £85million in Business Rates, on which a proportion is retained.
2. Collecting over £97million of Council Tax
3. Managing a portfolio of £594million consisting of land, buildings and other assets, of which £75million relates to property investment.
4. Investing cash and investment balances of over £32million
5. Spending £145million (net) in support of Council services.
6. Accounting for fee and grant income of £249million for support expenditure on Council services.

ASSETS



RESOURCES



7. Financial Performance - Core Funding

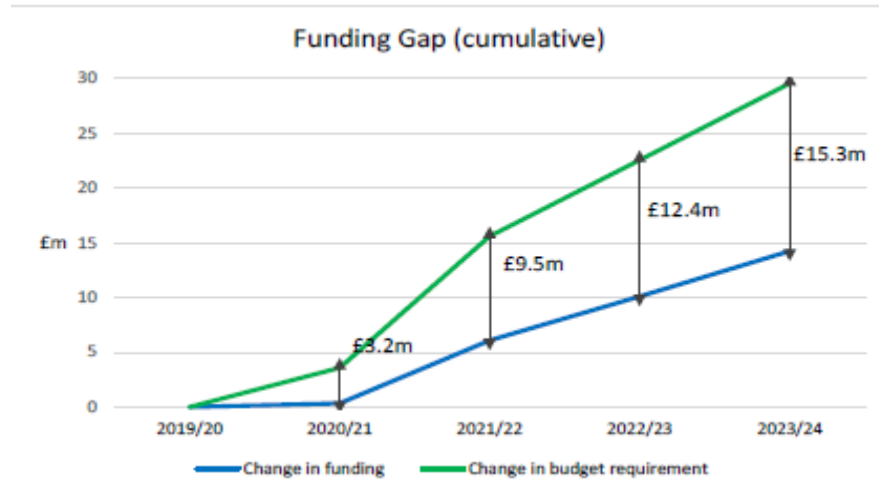
Since 2010, local government has faced an increasingly challenging financial environment. The Council in common with the rest of local government has seen a reduction in grant funding (as part of a strategy to reduce the national deficit) and an increasing dependency on Council tax and Business Rates retention. There has been further uncertainty through the anticipated fair funding review which would set a new baseline funding allocation for local authorities by undertaking updated assessment of relative needs and resources. The outcomes of the government review had been anticipated to be updated in November 2020. However, as a result of the COVID pandemic and Brexit there is a level of uncertainty around the review and around the broader economic outlook presenting implications for local government finances and the review and increase Business Rates Retention plans have been moved back to 2021-22 at the earliest. The Council was successful in 2019-20 at being included in a Berkshire wide Business Rates pool which has seen additional funds to the Berkshire area and especially through to the Local Economic Partnership (LEP).

8. Future Challenges, Medium Term Financial Planning

The Council projects its finances over the medium term to ensure it is in a sustainable position to deliver essential public services and finance the delivery of its corporate plans.

The Medium Term Financial Strategy has been recently updated indicating that there is an expected funding of gap of £15.3million by 2023/24.

Graphics to be updated on completion of draft financial statements



9. The Future and COVID 19

The Council holds a variety of statutory and non-statutory receivables including Business Rates (also known as Non Domestic Rates), Council Tax, debtor balances, trade receivables, loans receivable and bank balances. Measures taken nationally to control the pandemic has resulted in significant economic losses (nationally) that have affected collection rates as businesses and individuals experience financial effects of the national lockdown pandemic response.

In the short-term the Council has received £8.6million of COVID support grant funding from central government and £3.5 million of section 31 Business Rates Relief in advance to support short term cashflows.

The uncertainty caused by the pandemic has also significantly increased volatility in markets, impacting on valuations on non-current operational and non-operational assets, but also in investment properties and assets held by pension funds.

The impacts of this uncertainty is reflected within disclosure notes supporting the financial statements.

In 2020-21, at the time of writing, the Government has provided substantial assistance to the Council's financial response to Covid-19, including:

- Non ring-fenced funding of £8.6m
- High street re-opening = £140k
- Business grants = £29.3m
- Discretionary business grants = £1.2m
- Care home infection grant = £1.4m
- Homeless funds – share of national = £105m
- Further welfare support – share of national = £63m
- CTX welfare support - £585k
- Active travel = £124k + £tbck
- Public Health – outbreak plan - £540k

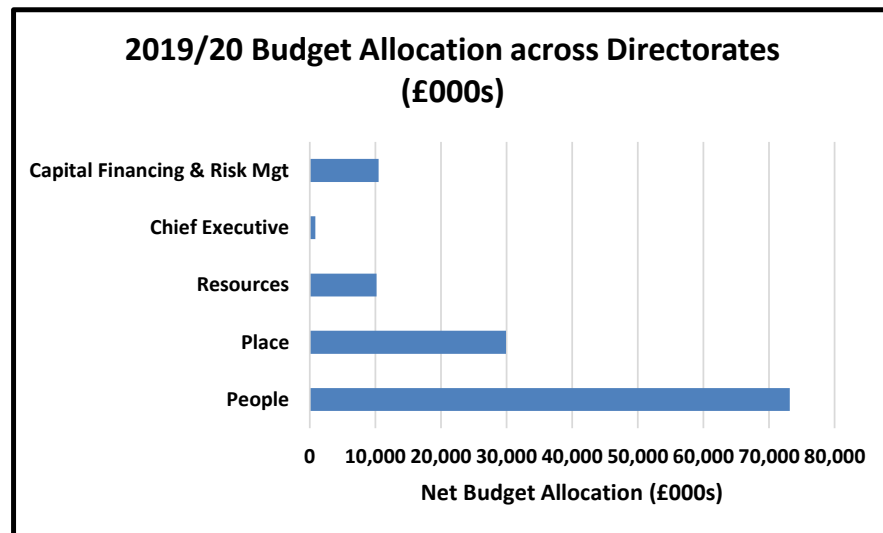
The economic impacts from the COVID pandemic and Brexit are anticipated to create further future economic challenges and uncertainty. To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

10. Financial Performance - 2019/20 Expenditure

DRAFT Going Concern Assessment as at 31st March 2020 and Supporting Draft Executive Director's Narrative Statement for the 2019/20 Financial Statements

To deliver a balanced budget in 2019/20 the Council undertook a savings programme of £6.2 million. The overarching savings strategy focused on income generation and avoiding service reductions through generation of efficiencies in respect of procurement activities and transformation programmes.

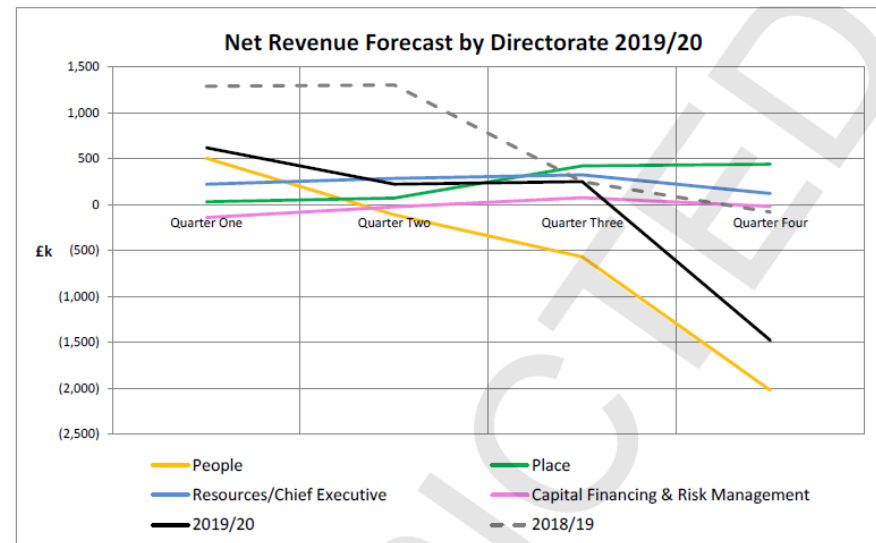
A net revenue budget of £125million was approved by Full Council in March 2019, allocated across services as follows:



Actual expenditure incurred on services during 2019/20 was 99% of the net revenue budget, reflecting robust financial management process of quarterly reporting to senior officers and elected members.

The main areas of underspend were in respect of the People directorate and specifically Adult Social Care of £1.3m. This is positive to see the enhanced financial management arrangements for the year following the review of ASC budget

management undertaken due to the 2018-19 FY. This is also reflected in the Annual Governance Statement. Other services were close to break-even with some smaller over and under-spends. The two key areas of note were the underspend in Children's & Families services, in part due to reduced demand, and un-met income from the Council actively not investing further in commercial property.



11. Financial Performance – The Balance Sheet

NET ASSETS £594 million (£572 million as at 31 March 2019)

The Council's balance sheet shows it has a net worth of £98million.

Total assets of £594million at the balance sheet date include:

- Operational land and buildings of £516million

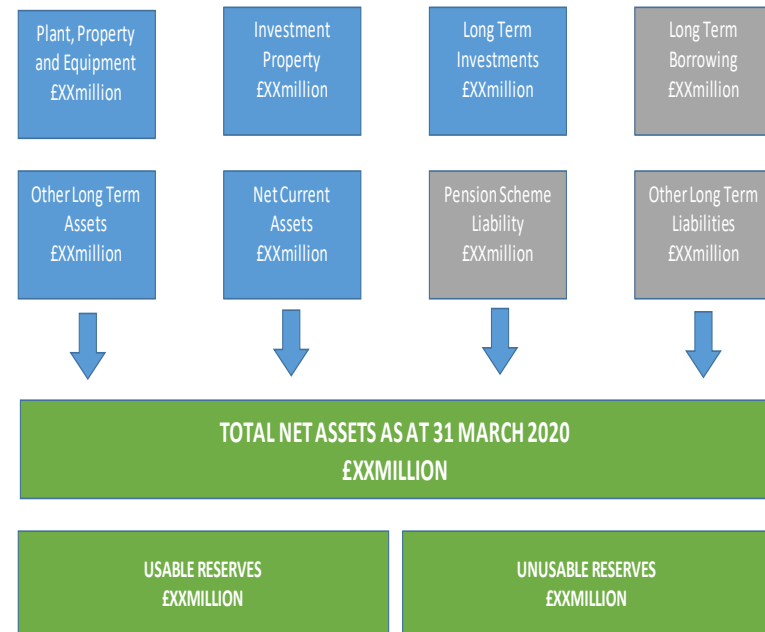
- Investment property of £75million

Total liabilities of £555million include:

- Long term borrowing of £219million
- The pension scheme potential future liability of £288million

The Council's balance sheet includes £21.5million of useable reserves available to fund future spending plans.

The Council has maintained a strong year-end Balance Sheet. Sufficient funding is in place to repay both long and short term liabilities as these fall due.



This section including graphics will be updated on completion of 31st March 2020 Balance Sheet.

12. Financial Performance - Capital Expenditure

The Council has a three year capital investment programme. The capital programme for 2019/20 was £91.9million. Actual outturn against the programme was £52.4million underspend. The primary reason for the variance was a cessation in Commercial Property Investment during the financial year, reducing the expenditure requirement by £35million. The balance of the underspend relates to project expenditure which will be re-profiled into future financial years.

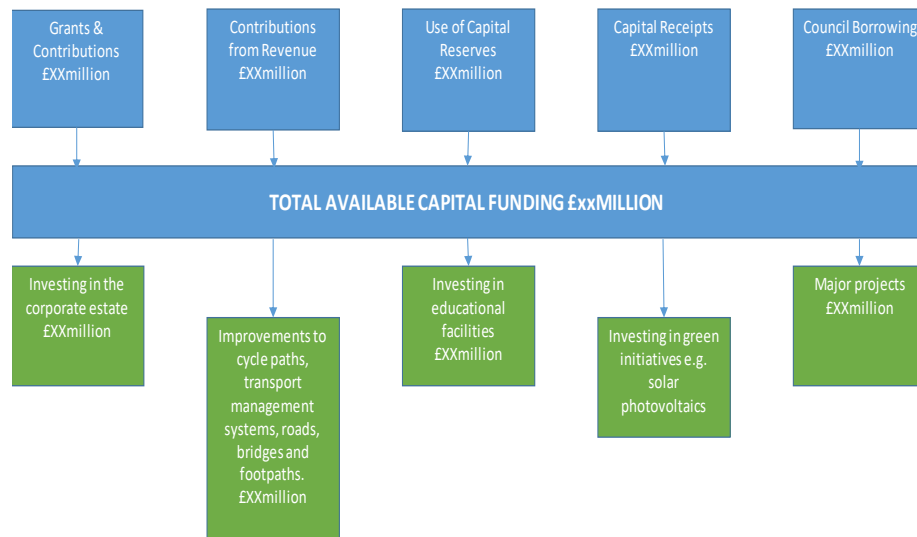
Key capital projects undertaken include:

- Investing in the Council's corporate estate inclusive of social care settings.
- Improved cycle paths, transport management systems, roads, bridges and footpaths.
- Investment into education facilities
- Investment into green initiatives inclusive of solar photovoltaics.
- Investing in new major projects

Graphics to be updated upon completion of the 31st March 2020 balance Sheet.

Insert photos of major schemes for final financial statements

This expenditure is financed from a combination of capital receipts, grant funding and the Council's own financial resources inclusive of long term borrowing. The graphic below details how capital expenditure was financed in 2019/20.



13. Annual Governance Statement

A risk management policy is in place to identify and evaluate risk and to feed into the Annual Governance Statement (AGS). There are clearly defined steps to support better decision making and to facilitate robust understanding of risk, whether a positive opportunity or a threat and the likely impact. The risk management process is subject to regular review and scrutiny. The key actions for the AGS for the year ahead are included in the below in respect of the AGS FY2019-20:



AGS Conclusion

The FY 2019-20 has continued to see the sound financial management highlighted by the LGA peer review. The additional funding to put into reserves for a variety of known financial pressures, both Covid-19 related and in respect of ongoing financial pressures across the sector is important to protect Council services in the long term and also to allow some investment in the new Council Strategy in 2020-21. Performance continues to be good across the Council; the Council understands where performance is stronger or weaker and regularly monitoring allows management action to improve services. The FY 2019-20 saw the start of the Covid-19 outbreak; there will be a much greater impact on the FY 20-21, but the financial position in FY 2019-20 does help support the Council's going concern position as does Government funding provided. The uncertainty provided by Covid-19 will impact these financial statements; risks are changing as is the ability to value assets and the long term position of certain asset classes and the impact on the pension. The Council's continued focus on finance and performance, and use of the LGA peer review to improve, stand the Council in good stead to respond and recover from Covid-19 during the FY 2020-21.

14. Explanation of Accounting Statements

The statement of accounts sets out the Council's income and expenditure for the financial year and its financial position as at 31 March 2020. The accounts comprise of core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting, which in turn is underpinned by International Financial Reporting Standards.

The core statements are:

- The Comprehensive Income and Expenditure Statement – this records all of the Council's income and expenditure for the year. The first half of the statement provides an analysis by service area and the second half focuses on corporate transactions and funding.
- The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the course of the financial year. Reserves are classified as "usable" which can be invested in capital projects or service improvements and "unusable" reserves which must be set aside for specific legal or accounting purposes.
- The Balance Sheet which is a position statement of the Council's assets, liabilities, cash balances and reserves as at the 31 March.
- The Cash Flow Statement which documents the reasons for changes in the Council's cash balances during the financial year, and whether the changes are due to operating activities, new investment or financing activities (e.g. repayment of borrowing or other long term liabilities).

The supplementary Financial Statements are:

- The Annual Governance Statement, which sets out the governance structures of the Council and its key internal controls.
- The Collection Fund, which summarises the collection and redistribution of Council Tax and Business Rates.

The notes to these financial statements provide further detail about the Council's accounting policies and individual transactions.

A glossary of key terms is at the end of the Financial Statements