

Notice of Meeting



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Governance and Ethics Committee

Monday 26 July 2021 at 6.30pm

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

This meeting can be streamed live here:

<https://westberks.gov.uk/governanceethicscommitteelive>

Date of despatch of Agenda: Friday 16 July 2021

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Stephen Chard on (01635) 519462
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Further information and Minutes are also available on the Council's website at www.westberks.gov.uk



Agenda - Governance and Ethics Committee to be held on Monday, 26 July 2021
(continued)

To: Councillors Jeff Beck, Jeremy Cottam (Vice-Chairman), Bill Graham, Rick Jones, Tony Linden, Thomas Marino (Chairman), David Marsh, Geoff Mayes, Andy Moore, Claire Rowles and David Southgate

Substitutes: Councillors Adrian Abbs, Anne Budd, John Downe, Owen Jeffery, Steve Masters, Graham Pask and Garth Simpson

Agenda

Part I

		Page No.
1	Apologies To receive apologies for inability to attend the meeting (if any).	1 - 2
2	Minutes To approve as a correct record the Minutes of the meeting of this Committee held on 19 April 2021 and 4 May 2021.	3 - 16
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 .	17 - 18
4	Forward Plan Purpose: To consider the Forward Plan for the next 12 months.	19 - 20

Governance Matters

5	Annual Governance Statement 2020-21 (GE4031) Purpose: The report sets out the Annual Governance Statement (AGS) for the Council for 2020-21 for approval. The AGS summarises the key governance issues for the Council and the action plan to address these. The AGS is required to be approved by those charged with governance, the Governance and Ethics Committee at West Berkshire, under the Accounts and Audit Regulations 2015.	21 - 36
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Agenda - Governance and Ethics Committee to be held on Monday, 26 July 2021
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- 6 **Going Concern Assessment as at 31 March 2021 (GE4030)** 37 - 50
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 2020/21.
- 7 **2020/21 Draft Financial Statements Highlight Report (GE3820)** 51 - 74
Purpose: This report is to inform Members of the key highlights from the draft 2020/21 financial statements and progress against the implementation of recommendations made by the Council's external auditors Grant Thornton in respect of the 2019/20 external audit.
- 8 **Internal Audit Annual Assurance Report 2020/21 (GE4029)** 75 - 92
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.
- 9 **Exclusion of Press and Public** 93 - 94
RECOMMENDATION: That members of the press and public be excluded from the meeting during consideration of the following items as it is likely that there would be disclosure of exempt information of the description contained in the paragraphs of Schedule 12A of the Local Government Act 1972 specified in brackets in the heading of each item.

Part II

- 10 **Risk Management Q4 2020/21 Report (GE4028)** 95 - 136
(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)
- Purpose: To highlight the corporate risks that need to be considered by the Committee and to outline the actions that are being taken to mitigate those risks.

Sarah Clarke
Service Director: Strategy and Governance

Agenda - Governance and Ethics Committee to be held on Monday, 26 July 2021
(continued)

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Governance and Ethics Committee – 26 July 2021

Item 1 – Apologies for absence

Verbal Item

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

GOVERNANCE AND ETHICS COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 19 APRIL 2021

Councillors Present: Adrian Abbs, Jeff Beck (Chairman), Jeremy Cottam (Vice-Chairman), Rick Jones, Tony Linden, Thomas Marino, David Marsh, Andy Moore and Claire Rowles

Also Present: Catalin Bogos (Performance Research Consultation Manager), Sarah Clarke (Service Director (Strategy and Governance)), Shannon Coleman-Slaughter (Chief Financial Accountant), Julie Gillhespey (Audit Manager), Richard Turner (Property Service Manager), Andy Walker (Head of Finance and Property), Barry Dickens (Parish Council Representative), Jane Langford (Parish Council Representative), Barrie Morris (Grant Thornton), David Johnson (Grant Thornton) and Linda Pye (Principal Policy Officer)

Apologies for inability to attend the meeting: Joseph Holmes, Councillor Geoff Mayes and Councillor Howard Woollaston

PART I

28 Minutes

The Minutes of the meeting held on 1 February 2021 were approved as a true and correct record and signed by the Chairman.

Councillors Rowles and Linden were not present at the previous meeting and therefore could not approve the accuracy of the minutes. It was agreed that the Chair's electronic signature would be inserted into the agreed minutes.

29 Declarations of Interest

There were no declarations of interest received.

30 Forward Plan

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

Julie Gillhespey noted that the Forward Plan did not include internal audit updates after July 2021 and had asked Strategic Support to include the items in the future. Councillor Claire Rowles asked why there was no reference to September and November in the Forward Plan. Sarah Clarke, Service Director, Strategy & Governance, confirmed that she would ensure that the Forward Plan was fully populated and re-circulated.

RESOLVED that the Forward Plan be noted with the additional reference to fully populating and re-circulating the document.

31 Monitoring Officer's Annual Report to the Governance and Ethics Committee - 2020/21 (C3992)

The Committee considered a report (Agenda Item 5) which provided an update on local and national issues relating to ethical standards and to bring to the attention of Members any complaints or other problems within West Berkshire.

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It was recommended that the Annual Governance and Ethics Report be presented to Full Council.

Sarah Clarke, Service Director, Strategy & Governance, introduced the report which noted the work which had been undertaken over the past year and highlighted matters of significance. It had been agreed that the Monitoring Officer would produce an annual report following the introduction of the Localism Act 2011. The key points to note from the report were as follows:

- Thanks were offered to independent persons who had dealt with the complaints that had been received.
- Thanks were also given to the Parish Council representatives who had assisted the work of the Governance & Ethics Committee.
- Sarah Clarke thanked members of the Advisory Panel and the Parish Council representatives who had volunteered in the past year but who had not actually met in the current year. She confirmed that an advert had been circulated to all Parish Councils for further volunteers or expressions of interest to fulfil those roles in order to increase transparency.

Complaints

Members noted the significant increase in the number of complaints over the past year. However, a number of complaints related to each other, for example 16 complaints were connected to the same issues at a single Parish Council. None of the complaints to-date had been referred for investigation although one remained outstanding where the initial hearing had taken place but the decision notices had not yet been issued and that outcome would be updated by the time the report was considered at Full Council.

Other actions had been requested as follows:

- Training had been suggested in relation to one of the Parish Councillors in declaring an interest at the beginning of meetings.
- The Monitoring Officer had written to the Leaders of the political parties regarding Social Media use. Those e-mails had been issued on the 17 March 2021.
- A request had been made for additional training on the use of social media to be given to Members to improve outcomes and perception.

Gifts and Hospitality

Details of Officers' gifts and hospitality declared over the past year had been included in the report. However, there had been a reduction in gifts and hospitality received which was likely reflected in the altered circumstances in which Officers had found themselves working in since the onset of the Covid pandemic. No declarations of gifts and hospitality had been made by Members which, again, reflected the working at home circumstances that Members had adhered to in respect of Covid 19 guidelines.

Sarah Clarke concluded that, in general, despite the rise in complaints, standards of conduct remained high in the District.

Councillor Jeff Beck thanked Sarah Clarke for her summary of the report.

Councillor Claire Rowles asked if there was any mechanism in place to prompt Members to review and update their entry in the Register of Interest. Sarah Clarke stated it was her understanding that a reminder normally went out to Members around the time of Annual Council to ask them to review and update. Sarah Clarke confirmed that she would clarify whether this was the case and was happy to assist with ensuring this reminder was given. Councillor Rowles advised she had reviewed and updated her own interest though no prompt to do so had been forthcoming so was appreciative of Sarah Clarke's assistance with a formal reminder. Councillor Jeff Beck said that he had

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personally received a prompt to review and update the Register this year as he had done previously so could not account for Councillor Rowles' lack of prompt, however, if there had been any significant change to an individual's circumstances then it was the Member's responsibility to notify the Council of those changes.

RESOLVED that the report be noted and that it would be circulated to all Parish/Town Councils in the District for information.

32 **Update Report - Review of the effectiveness of the Governance and Ethics Committee (GE4032)**

Julie Gillhespey, Audit Manager, introduced the report (Agenda item 6) which was a follow-up to the report which had been presented in November 2020 around improving the effectiveness of the Committee for which the Committee had requested a number of amendments and clarification. The Terms of Reference had been extensively re-drafted and clarification of the time needed to cover some of the activities of the plan was given:

Terms of Reference - This now identified the frequency of activity – quarterly, annually or ad-hoc.

Action Plan - An end-date had now been included for each of the activities together with a progress update.

Training Schedule - This had been revised and allowed for additional training time with a recommendation for mandatory training for the first year and thereafter every four years or if and when Members requested a training re-fresh.

Councillor Jeff Beck thanked Julie Gillhespey for her summary of the report.

Councillor Rick Jones said he had noted in the action plan that a training plan was being produced and queried when this would commence. Julie Gillhespey confirmed that dates had not yet been set but it was hoped additional training would commence this year.

With regard to the skills survey, Councillor Rick Jones asked whether the results had been published. Julie Gillhespey responded that the results had been included in the initial report but had not yet been refreshed.

Councillor Rick Jones noted that a number of the work in progress items were timed for completion in the summer of 2021 but had not seen reference made to them in the Forward Plan for the corresponding dates in terms of anticipated progress. Julie Gillhespey said, following the recommendation, it was intended to update this progress to the Committee and Full Council in the Annual Report along with an update on the external Auditors report.

RESOLVED that the report be noted.

33 **Revised Audit Findings for West Berkshire Council - Financial Year Ended 31 March 2020 (GE3934a)**

Shannon Coleman-Slaughter presented the report (Agenda item 7). This was a covering report presenting the external auditor's revised audit findings on the Council's 2019/20 accounts. The key element of the report was around the section related to a material adjustment of £4.4 million to the Council's financial statements in respect of the pension reserve.

Barrie Morris, Key Audit Partner and David Johnson, Audit Manager from Grant Thornton summarised the revised audit plan as set out in the accompanying appendix to the report.

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Mr Morris advised that revisions to the audit report were in light blue for ease of reference from the original report presented in February 2021. The report set out the remaining outstanding areas but all of the work of the external auditors had now been completed subject to the receipt of the updated Pension Fund auditor (Deloitte) letter of assurance.

Under guidance from the National Audit Office an agreement was in place for the external auditor to place assurance upon the work of the Pension Fund auditor, as such the external auditor would not be issuing their audit opinion on the Council's accounts until receipt of the letter of assurance indicating that there were no outstanding matters which would impact upon that opinion. Grant Thornton had been in liaison with Deloitte over recent months who had confirmed they were hoping to review the letter on 26 April 2021, following which the letter of assurance was imminently expected. Subject to no new issues being identified within the letter of assurance, Grant Thornton would be in a position to issue their audit opinion as soon as practicable thereafter.

Barrie Morris drew Members' attention to the final fees charged for the audit and provision of non-audit services which showed an additional charge of £14,250 in respect to the additional cost arising out of Covid-19. This reflected the delays and inefficiencies caused as a result of auditing the accounts remotely. Mr Morris confirmed that no additional cost had been made as a result of the delay of the Pension Fund letter. The total fee of £109,273 compared favourably to the previous year's fee of £119,773.

David Johnson summarised the key changes as a result of the Pension Fund liability:

- An adjustment of £1.7m to the balance sheet as a result of the adjustment from the Pension Fund auditor work.
- A letter of assurance had been provided by the Pension Fund auditor which had highlighted a number of issues, including:
 - Write-down of Pension Fund assets by approximately £31.5m. The Council's share of this was approximately 13% and based on the figures disclosed equated to an adjustment of £4.4m. The accounts had been adjusted for this error.
 - Variances in membership data numbers between those submitted to the actuary and the data held on the Altair membership data system. Work completed at the Council to confirm data provided to the pension fund had been undertaken and no issues had been identified.
 - A variance of £8.5m in contributions at a Pension Fund level.
 - A variance of £16.6m in benefits payable at a Pension Fund level.
 - The letter noted that work was still ongoing and that the auditors were seeking further explanation from the Pension Fund as to the reason for the variances. Grant Thornton had therefore requested that an updated letter of assurance be provided once this work had been completed which would be reviewed upon receipt.

Councillor Jeff Beck thanked David Johnson for his summary.

Councillor Tony Lindon raised his concern that this was the second time West Berkshire Council had been subject to delays with the Berkshire Pension Fund and asked whether there would be a meeting to finalise the accounts when everything had been signed off. The Chairman said a separate meeting would not be held but with Members' approval the sign-off would be undertaken by the Chairman and appropriate Officer as in previous years.

Councillor Jeremy Cottam asked whether an explanation for the variances would be forthcoming and what action would be taken to rectify the situation in order to prevent the same thing happening again. Shannon Coleman-Slaughter clarified that in respect of individual funds within Royal Berkshire she was not in a position to comment but the variances were to do with the asset values and the data and the assumptions that had

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been informed by issues the external auditors had found leading to a knock-on adjustment to the Council's accounts. David Johnson said the letter of assurance by Deloitte had been very specific that there had been an adjustment to the private equity fund which had been written-down by £31m. The letter had not given a detailed explanation as to why this was the case and he was not in a position to make any assumptions at this stage. Councillor Jeff Beck asked Andy Walker to consider writing to the Pension Fund auditor to request a broad explanation as to why the fund had been written down by £31m.

Councillor Jeremy Cottam queried the duplication of over-stating the investment property that was not taken into account, why this had happened and whether more direct procedures had been put in place to prevent this type of mistake happening again. Andy Walker offered reassurance that this area had been shored-up and would be stronger going forward to prevent a repeat of the same issue in the future.

Councillor Adrian Abbs queried whether the decrease in the value of investment properties of £818k was accurate or whether it was significantly more, given the assessment was at level red indicating that the external auditors 'disagreed with the estimation process or judgements that underpinned the estimate and considered the estimate to be potentially materially misstated'. David Johnson said that in this case it had been noted that investment properties had been valued as single assets by the valuer which included both land and buildings. A comparison of this to the fixed asset register (FAR) identified that land and building had been split into separate entries. The value as per the FAR was agreed to the accounts and not to the valuer's report meaning the land value had been duplicated and therefore the accounts had been overstated by approximately £6.1m. This was a material misstatement and the Council had adjusted to recognise the correct value. As stated previously, the Council had addressed this area and implemented measures to ensure there was no repeat of the issue.

Councillor Adrian Abbs asked what was the actual write-down in terms of asset value. David Johnson confirmed that the adjustment on the investment property asset was £6.1m for the duplicate of land from the draft accounts submitted. Barrie Morris clarified that the £818k represented the decrease in the value of the investment and then £6.1m had been identified as an error where the asset had been double-counted. The rationale for giving the red assessment was that the valuation had been done on both land and buildings together and would have been clearer had they been done separately.

Councillor Andy Moore said the risk register considered a high risk to be £1m but the figures around materiality as stated in the report were substantially higher than that. Therefore, was there a suggestion that a high risk category might be missed if materiality was actually not considered to be £1m. Barrie Morris said the materiality used by the auditors was an audit concept which asked how wrong did the accounts have to be before the users of the financial statements changed any of the decisions they might make on those financial statements. For example, in a highly volatile business, materiality might be set at 0.5% but in a much more stable business with low risk and low investor activity, materiality might be at a higher percentage. For the public-sector, the auditors had set a maximum of 2% for authorities the size and complexity of West Berkshire, however, for West Berkshire they had lowered that materiality to reflect some local specific issues such as issues and areas identified in the previous year's audit work to make sure the financial statements were as accurate as possible. This had led to an overall materiality of 1.5% which was £5.4m but then set a concept of performance materiality which was just over £4m which was 75% of materiality, indicating a risk-based approach so only a sample of items was tested within materiality and if an error was identified then an allowance was made to tolerate for items not tested that would fill up the gap between.

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Councillor Andy Moore asked what the auditor's understanding or judgement was of 'value for money'. Barrie Morris said the value for money work undertaken for the 2019/20 audit was to look at the high-level arrangements the Council had in place to make sure that value for money was likely to be achieved and to try and identify those areas of significant risk. What had been identified was that financial sustainability – making sure a robust budget process was in place and that savings plans were realistic and achievable – were appropriate, taking into account the pre-Covid era. Under new arrangements for the 2021 audit, following National Audit Office guidelines, whilst there would still be a focus around financial sustainability, there would also be specific queries around the governance of decision-making, i.e. was there appropriate information provided to ensure that Members were able to take a well-informed view and were informed of all the facts, as well as appropriate financial assessments and legal advice undertaken. A further change would be to look at whether economy efficient and effectiveness was being achieved from the money being spent - i.e. how effectively was the Council bench-marking and delivering the cost and quality of its services in comparison to other Councils.

RESOLVED that delegated authority to sign the 2019/20 Financial Statements would be delegated to the Council's Executive Director for Resources (S151 Officer) and the Chair of the Governance & Ethics Committee, once the Council's appointed external auditors Grant Thornton had provided a formal opinion on the 2019/20 Financial Statements and in the absence of further material changes.

34 **Local Code of Corporate Governance (GE3955)**

The Committee considered the report (Agenda item 8) presented by Andy Walker on behalf of Joseph Holmes, Executive Director – Resources.

The Code of Corporate Governance detailed how the Council complied with the CIPFA/SOLACE (The Chartered Institute of Public Finance and Accountancy, ("CIPFA") and the Society of Local Authority Chief Executives ("SOLACE") framework for good governance and supported the principles of good governance contained within this.

The report concluded that the Council had strong measures in place at various levels of governance to ensure there was good governance across the Council.

RESOLVED that the Code of Corporate Governance be approved.

35 **Risk Management Strategy 2021-2024 (EX3952)**

Catalin Bogos, Performance and Risk Manager, presented the Risk Management Strategy (Agenda item 9) which set out the overarching framework for managing risk at the Council, the Council's risk appetite and the risk management objectives for the next three years. The recommendation was for the Committee to endorse the strategy ahead of its approval by the Executive on 29th April 2021.

Catalin Bogos advised Members that the current risk arrangements of the Council had been reviewed and consideration had been given to the best practice of the Treasury, the Government's finance function, the Institute of Risk Management as well as bench-marking against other local authorities.

The report highlighted the internal and external context within which the Council delivered its objectives which must be considered in order to ensure that the management of risk was effective.

Internal context

The significant points relating to the internal organisational context of risk management were the continuation of the three line of defence arrangements: the streamlined internal

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governance arrangements, the implementation of the organisational restructure Senior Management Review 2019 and a relative reduction of the financial pressures experienced before 2019/2020.

External context

The external context for the organisation was dominated by the materialisation of one of the highest risks on the National Risk Register – an influenza type pandemic. The long-term nature of the international crisis meant that the response period overlapped with the recovery stage. The response activities translated into immediate changes in working practices (e.g. significant levels of remote working). As more information emerged about the impact, it would inform the risk identification and assessment activities. In particular, special attention would be given to requirements to re-consider the existing/traditional controls and make any relevant re-adjustments.

Council Strategy 2019 – 2023, highlighted the strong social, economic and environmental features of the District. The focus of the Strategy was to build on these strengths and achieve further improvements. This was another important factor considered in defining the Council's risk management approach, including the risk appetite.

The report set out each stage of the risk management process and provided details about how each stage was delivered, following which relevant objectives had been set out for the next 3 years. Because a strong risk management culture existed within the Council, most of the objectives referred to a continuation – or further development – of current arrangements.

The full list of the objectives of the risk management strategy were contained within the report, however, significant changes made to planned objectives included:

- A slight increase to the risk appetite due to internal and external factors as outlined above, details of which had been provided in the report.
- The threshold on the risk management matrix had been adjusted between amber and red to a figure of 8 reflecting an increased risk appetite.
- Maintaining a risk aware culture through a common language, training and engagement, with a particular focus on the involvement of Councillors through more in-depth training.
- Support for the introduction of a controls assurance process, so that when risk registers were presented, assurance could be given that controls were in place and doing what they were supposed to be doing.

Councillor Jeff Beck thanked Catalin Bogos for his summary of the report.

Councillor Jeff Beck referred to the Annual Governance Statement (AGS) which was approved annually by the Chief Executive and Leader of the Governance and Ethics Committee and queried this as there was no 'Leader' for the Governance and Ethics Committee. Catalin Bogos clarified this should read the Chief Executive, Leader of the Council and a representative from the Governance and Ethics Committee and that the report would be amended accordingly.

Councillor Jeremy Cottam asked how an increase in risk was arrived at and valued. Catalin Bogos said the table set out in 7.3 of the report provided the definitions which should be used when determining whether a risk would have a low, moderate, major or significant impact. When saying the Council had a higher appetite for risk this was in relation to the internal and external context of the organisation and the table showed the movement of threshold values for the impact of risks as follows:

Impact 3: £500k - £1m (was £250k - £1m)

Impact 2: £100k - £500k (was £50k - £250k)

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Impact 1: Less than £100k (was Less than £50k)

This meant that encouragement was given to decision-makers to manage risk at these levels without the need to escalate and put in additional controls and spend additional resource. In addition, the new risk matrix (page 114 of the report) showed the red, amber and green rating based on the above thresholds reflecting the increased risk appetite and tolerances. Catalin Bogos added that a key objective was that the training for the Committee and other Officers would focus on the technical matters of what these changes meant for the Council.

Councillor Rick Jones said he and other Members had felt the Council had been overly risk-adverse in the past so was supportive of this new direction and the training which would be given to understand how to arrive at, and manage, the new threshold values.

RESOLVED that the Governance and Ethic Committee endorsed the Risk Management Strategy and the associated risk appetite, and noted that the Executive would be asked to approve this Risk Management Strategy at their meeting on the 29th April 2021. This included a recommendation that Governance Boards would approve the risk appetite on new projects within their remit and Corporate Programme Board would have oversight of this.

36 Internal Audit Update Report (GE3894)

Julie Gillhespey provided Members with a summary of the Internal Audit Update Report (Agenda item 10) on the work carried out during quarter three of 2020/21.

Key findings of the report included the fact that three central audits had been finalised and given a weak opinion though this did not indicate a reduction in the control environment/processes generally. The key findings for the weak opinions were detailed in the report and related to Early Years Grant, Deprivation of Liberty Safeguards and the Digitalisation Agenda.

Appendix A of the report listed the completed audits carried out to the end of December 2020 and work in progress was detailed in Appendix B.

Following a request by the Committee at the meeting in November 2019, two follow-up reviews had been carried out – for the implementation of the Property Database and the Asset Management Strategy/Plan as these had both been given an unsatisfactory opinion. Unfortunately, in both cases the second stage follow-up concluded that progress to implement the agreed recommendations was still unsatisfactory. Richard Turner, Property Services Manager, provided further detail on the findings of the two internal audits which were rated unsatisfactory following second stage follow-up reviews:

Property Database

This database contained all of the built and land assets of the Council and a key element of the audit findings had been around the database being updated. Historically there had been recruitment and retention issues for the post which had now been resolved. This stability was already showing dividends in that the database had now been fully updated which allowed the remaining actions to be progressed with a plan to be concluded in summer 2021.

Asset Management Strategy/Plan

A temporary resource had been recruited in January 2021 to specifically deal with the findings of this audit and a series of actions was being progressed that should be concluded within the current financial year.

Councillor Jeff Beck thanked Julie Gillhespey and Richard Turner for their update.

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Councillor Tony Linden asked whether a further update would be provided to ensure that the progress being made was continuing as expected. Julie Gillhespey said, barring any loss to the recruited posts, she did not feel a further update was necessary as she had been provided with a detailed response in terms of timeframes for completion of the outstanding recommendations by Richard Turner.

Councillor Jeremy Cottam expressed his concern that the overall opinion following the audit of Deprivation of Liberty Safeguards had been weak given this related to individuals in care homes and other vulnerable persons. Julie Gillhespey said within Adult Social Care, annual reviews took place both for Deprivation of Liberty Safeguards and a review of the provision of social care carried out by social care practitioners. A further review of Deprivation of Liberty Safeguards would depend on how long the audit had been signed-off for. There was a national issue with regard to local authorities meeting the timeframes and a revision to the DoLS legislation was being made to acknowledge the need to streamline the process to make it less labour-intensive. Julie Gillhespey said the review did not identify any operational issues in terms of assessments not being carried out, but had been more of an oversight in relation to areas like performance targets but added that a follow-up review would be carried out. Julie Gillhespey further reassured that all three audits that had resulted in weak opinions would be subject to a follow-up review, usually within six months of the report being finalised.

RESOLVED that the report be noted.

37 **Internal Audit Plan 2021-2024 (GE3895)**

Julie Gillhespey introduced the proposed Internal Audit Plan (Agenda item 11) for the three year period from 2021/22 to 2023/24. The report set out the change to the Internal Audit Charter (Appendix A) showing a change to the reporting line to Strategic Support and set out the title, type and method of audits to be carried out over the next three years.

Councillor Andy Moore asked whether the team was adequately resourced to deliver the substantial audit plan over the next three years. Julie Gillhespey said the team had been increased in the last year by one member to a total of five staff members and she was confident this provided the right resource coverage to carry out the works in the audit plan.

Councillor Claire Rowles highlighted that the report stated an external review of the internal audit team was required every five years to ensure the team complied with the professional practices of internal audit as stated in the PSIAS. Councillor Rowles queried whether the five year period of time should be shortened in order to ensure, for instance, that adequate staffing levels remained in place to carry out the works of the internal plan. Julie Gillhespey responded that the five year period complied with PSIAS guidance but that an annual review of the team's effectiveness should also be carried out. A detailed external review had taken place in 2018 which had been reported on in 2020. This report had highlighted areas that required improvement by the team which was now subject to a programme of improvement as detailed in the report.

RESOLVED that the Proposed Audit Plan, the amended Internal Audit Charter and Internal Audit Reporting Protocol be approved.

38 **Update on progress with Constitution Review (GE3986)**

Councillor Jeff Beck firstly offered his profound thanks to the Officers and Members involved with this review, in particular to Councillor Graham Bridgman as Chairman of the Group, in recognition of the intensity and hard work required to undertake such a review.

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Sarah Clarke, Service Director, Strategy & Governance, provided the Committee with an update on progress being made with the Review of the Constitution (Agenda item 12). In July 2019, the Governance and Ethics Committee had approved a review of the Constitution with an ambitious timeframe for the review to be completed by December 2020. Sarah Clarke said that it had originally been intended to update parts of the Constitution in a piecemeal fashion and bring them forward as they were completed. However, it became apparent that a more fundamental review of the Constitution was required, in part because the Constitution was comprised of 15 parts that had been reviewed on a rolling programme over many years which had resulted in various parts of the Constitution being duplicated as well as inconsistencies in the pattern of review. The review of the Constitution had therefore been delayed by work undertaken to resolve those issues as well as being temporarily interrupted by the snap General Election in late 2019. The work of the Group had also been paused for a period during the initial response phase to Covid-19, as Officers supporting the project were diverted to other matters.

The Task Group had, however, met on 11 occasions and a sample of work that had been completed and work that was planned was appended to the report. Sarah Clarke said that in addition to providing an update to Committee, the group was also seeking an endorsement of the new-look Constitution. In addition, there were some changes that would benefit from an earlier review, such as the process for allowing questions at meetings. These would therefore be brought forward with a view to proposed changes being considered at the July meeting of Council.

Councillor Jeremy Cottam said he believed there were Motions from Council that had been put forward as suggestions for changes to the Constitution and asked if there was an intention to include those changes. Sarah Clarke confirmed that those suggestions had been referred to the Task Group and the intention was that those matters that needed to be dealt with first would be picked up in the report to Council in July.

Councillor Andy Moore, a member of the Task Group, was reticent about the conclusion that good progress had been made, but acknowledged the reasons for the delays which had occurred. Councillor Moore felt an opportunity had been missed to do some useful work around the Budget meeting this year and hoped this would be sorted for next year and reported on to Council in July. Sarah Clarke advised that following the Budget meeting in March, it was proposed to timetable an additional Council meeting so that there would be a specific, single item meeting to deal with the Budget so that there would be more time in that meeting to enable Members to make comment.

Councillor Claire Rowles paid tribute to the Task Group and to Councillor Graham Bridgman for all their work on the review and asked when completion of the review was anticipated. Sarah Clarke said it was difficult at this stage to give a target date for completion, citing part 13 of the Constitution alone as a challenge, but felt work would gain pace once the form of the Constitution had been resolved. She clarified that any proposed changes to the Constitution would be put before the Governance and Ethics Committee first for approval before recommendation to full Council.

Councillor Tony Linden commented that the budget should be approved in one meeting, unless an emergency necessitated a further meeting and asked for clarification in relation to remote meetings.

Sarah Clarke said that in terms of the budget there was a definite deadline by which to approve the budget so that gave some constraint as to the length of those meetings. As such, there had been some discussion and consideration about changes required at budget meetings to give more time to debate which was what was being sought. In terms of remote meetings, a legal challenge was being heard in the High Court that week and although it was not known when a decision would be given, the Council's plan was

GOVERNANCE AND ETHICS COMMITTEE - 19 APRIL 2021 - MINUTES

likely to be a hybrid return to doing things differently to comply with Covid guidance as well as local government legislation.

Councillor Graham Bridgman thanked his fellow members of the Task Group and Officers for the work undertaken in the review. The intention was to pull together material spread across the Constitution into one place and take note of comments made about some processes, for example, the ability of the Council to guillotine a debate to prevent meetings from overrunning. Councillor Bridgman also proposed to add in a new form of close of debate as one criticism was that Members had moved to vote on certain items of the budget meeting which meant the seconder of the amendment that was voted upon did not get an opportunity to speak. The new form of close of debate meant that when Members moved to vote to close a debate it would allow the people who had not yet spoken, but had a right to speak under a normal debate, to be given the opportunity to do so.

Councillor Bridgman said there were sets of meeting rules in separate places which had all started out as saying the same thing but which had gradually changed meaning in different parts of Committees, Task Groups, Council and the Executive. It was hoped that the final document would be easier to navigate around, and make sense by not having conflict between different parts of the Constitution.

Parish Councillor Jane Langford queried whether it was realistic to aim for one Constitution document as in the American style where everything was written down and set in stone, given the UK's Constitution was contained within a plethora of precedents created through the Courts which might in fact be a more effective, workable and useful approach. Sarah Clarke said the production of one Constitution was required by law and hoped that the current tome would be reduced as a result of the removal of duplication. She said that in terms of managing meetings it was really important to have the rules of engagement very clearly stated in one place so that business could progress and people could understand how business was transacted. Councillor Graham Bridgman said this was less a Constitution, but more a set of rules to abide by when making decisions that could stand up in Court.

Councillor Rick Jones said he was pleased with the direction the review was going in and praised the work of the Task Group.

RESOLVED that the work of the Constitution Review Task Group be noted and the Committee endorsed the contents of this update report and approved in principle the format of the updated Constitution.

(The meeting commenced at 5.00pm and closed at 6.54pm)

CHAIRMAN

Date of Signature

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DRAFT

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

GOVERNANCE AND ETHICS COMMITTEE

MINUTES OF THE MEETING HELD ON TUESDAY, 4 MAY 2021

Councillors Present: Jeff Beck, Jeremy Cottam (Vice-Chairman), Rick Jones, Tony Linden, Thomas Marino (Chairman), David Marsh, Geoff Mayes, Andy Moore and Claire Rowles

PART I

1 Election of Chairman

RESOLVED that Councillor Tom Marino be elected Chairman of the Governance and Ethics Committee for the 2021/22 Municipal Year.

2 Election of Vice-Chairman

RESOLVED that Councillor Jeremy Cottam be elected Vice-Chairman of the Governance and Ethics Committee for the 2021/22 Municipal Year.

CHAIRMAN

Date of Signature

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Governance and Ethics Committee – 26 July 2021

Item 3 – Declarations of Interest

Verbal Item

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Governance and Ethics Committee Forward Plan 27 September 2021 – July 2022

27 September 2021						
1.	GE3689	External Audit Fee and Plan for financial year 2021/22	To present to members the Audit Fee Letter for 2021/22 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). To provide Members with a copy of the External Audit Plan for 2021-22.	Shannon Coleman-Slaughter	Councillor Howard Woollaston Internal Governance, Leisure and Culture	Audit
2.	GE4091	Internal Audit Interim Report 2021/22 Q1	To update the Committee on the outcome of Internal Audit work.	Julie Gillhespey	Councillor Howard Woollaston Internal Governance, Leisure and Culture	Audit
15 November 2021						
3.	GE4116	Update Report – Review of the Effectiveness of the Governance and Ethics Committee		Julie Gillhespey	Councillor Howard Woollaston Internal Governance, Leisure and Culture	Audit
17 January 2022						
4.	GE3891	Annual Audit Letter	To present the Annual Audit Letter.	Joseph Holmes	Councillor Ross Mackinnon Finance and Economic Development	Audit
5.	GE4023	Strategic Risk Register Update Q2 2021/22	To provide an update on the Strategic Risk Register as at Q2 of 2021/22.	Catalin Bogos	Councillor Howard Woollaston Internal Governance	Audit

6.	GE4092	Internal Audit Interim Report 2021/22 Q2	To update the Committee on the outcome of Internal Audit work	Julie Gillhespey	Councillor Howard Woollaston Internal Governance, Leisure and Culture	Audit
7.	GE4123	Treasury Management - Mid Year Report		Shannon Coleman-Slaughter	Councillor Ross Mackinnon Finance and Economic Development	Finance
25 April 2022						
8.	GE4093	Internal Audit Interim Report 2021/22 Q4	To update the Committee on the outcome of Internal Audit work	Julie Gillhespey	Councillor Howard Woollaston Internal Governance, Leisure and Culture	Audit
9.	GE4094	Internal Audit Plan 2022/23	To outline the proposed audit work programme for the next three years	Julie Gillhespey	Councillor Howard Woollaston Internal Governance, Leisure and Culture	Audit
July 2022 Date TBC						
10.	GE4024	Strategic Risk Register Update Q4 2021/22	To provide an update on the Strategic Risk Register as at Q4 of 2021/22.	Catalin Bogos	Councillor Howard Woollaston Internal Governance	Audit

ANNUAL GOVERNANCE STATEMENT 2020-21

Committee considering report:	Governance and Ethics Committee on 26 July 2021
Portfolio Member:	Councillor Howard Woollaston
Date Portfolio Member agreed report:	1 July 2021
Report Author:	Joseph Holmes
Forward Plan Ref:	GE4031

1 Purpose of the Report

- 1.1 The report sets out the Annual Governance Statement (AGS) for the Council for 2020-21 for approval. The AGS summarises the key governance issues for the Council and the action plan to address these. The AGS is required to be approved by those charged with governance, the Governance and Ethics Committee at West Berkshire, under the Accounts and Audit Regulations 2015.
- 1.2 The AGS will form part of the Council's financial statements and will be considered by the Council's external auditors, Grant Thornton.

2 Recommendation

- 2.1 For the Governance and Ethics Committee to approve the AGS.

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 under the accounts and audit regulations 2015.

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:				
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		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		
Consultation and Engagement:	The Council's Finance and Governance Group, 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 2020-21 has highlighted three key areas to include in the AGS with an accompanying action plan.
- Capacity to deliver projects
 - Improving Asset Management
 - Digital Transformation
- 4.3 There has been an impact on the Council's activities during the year due to Covid-19. This has impacted on the governance of the Council with a major incident declared for much of the financial year and a range of new governance structures put in place both internally and externally.

5 Supporting Information

Introduction

- 5.2 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

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

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

- 5.4 A copy of the AGS for 2020-21 is attached to this report, for review, at Appendix A.
- 5.5 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).
- 5.6 This evidence provides the assurance that enables the Leader and Chief Executive to sign the AGS with confidence.
- 5.7 The Chief Executive reviewed the governance arrangements in 2019/20 to ensure that these align with the new Council Strategy.
- 5.8 A key element of the review of the system of internal control is the identification of any weaknesses or risks in the system, along with recommendations to mitigate such issues. Then in the subsequent year further report is made on progress with implementing agreed recommendations.
- 5.9 The Annual Governance Statement for 2019-20 outlined the following issues of focus, and the below includes some commentary on progress against these in the 2020-21 financial year:
- Delivering effective engagement – the Council has approved a communication and engagement strategy with a wide range of actions. Many of these actions have been implemented and work commenced as well as there being additional investment in staffing resources and the ambition to build on lessons learned through the Covid-19 pandemic have shown a major enhancement in this area of activity.
 - Capacity to deliver projects – progress has been made in this area. The new governance structure for 2020 has enabled greater reporting of information to project boards supported by project documentation and reporting through to Corporate Programme Board and beyond. However, this area does remain one of significant focus for the Council so is proposed to remain on the AGS for 2021-22, especially as Covid-19 has meant delays and alterations to projects and the training that was being rolled out.
 - Improving asset management – this was subject to a follow up audit review that remained weak with some actions still not completed. Recent activity has addressed a number of these actions and it is expected that by Q2 of 2021-22 the actions will have been completed. These action have not been completed yet, so this will remain on the AGS into 2021-22.
 - Commercial investment – the commercial property investment work has been ceased following Full Council in March 2021, but was in effect paused for period of this AGS with no purchases made in over 18 months. This issue has been removed from the AGS

Proposals

5.10 In light of the issues raised during the year and after a review of effectiveness, the following **three** areas are the focus for 2021/22:

- **Capacity to deliver projects** - ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of key projects, for example the Environment Strategy, while maintaining frontline services to residents and businesses. **Core to delivering the refreshed 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 from previous AGS**
- **Digital Transformation** – ensuring that the Digital strategy has a complete delivery plan that supports the digital enhancements that the Council wishes to make in light of ways of working established through the Covid pandemic as well as to drive service improvements and efficiencies. **Core to delivering the refreshed Council Strategy.**

6 Other options considered

None. The production of the AGS is a requirement to be completed annually and the Council must comply with its production.

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, highlighted in the AGS and Code of Local Governance.

8 Appendices

Appendix A – Annual Governance Statement

Appendix B – Action Plan

Background Papers:

Code of Local Governance – 19th April Governance & Ethics Committee

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

Officer details:

Name: Joseph Holmes
 Job Title: Executive Director (Resources)
 Tel No: 01635 503540
 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

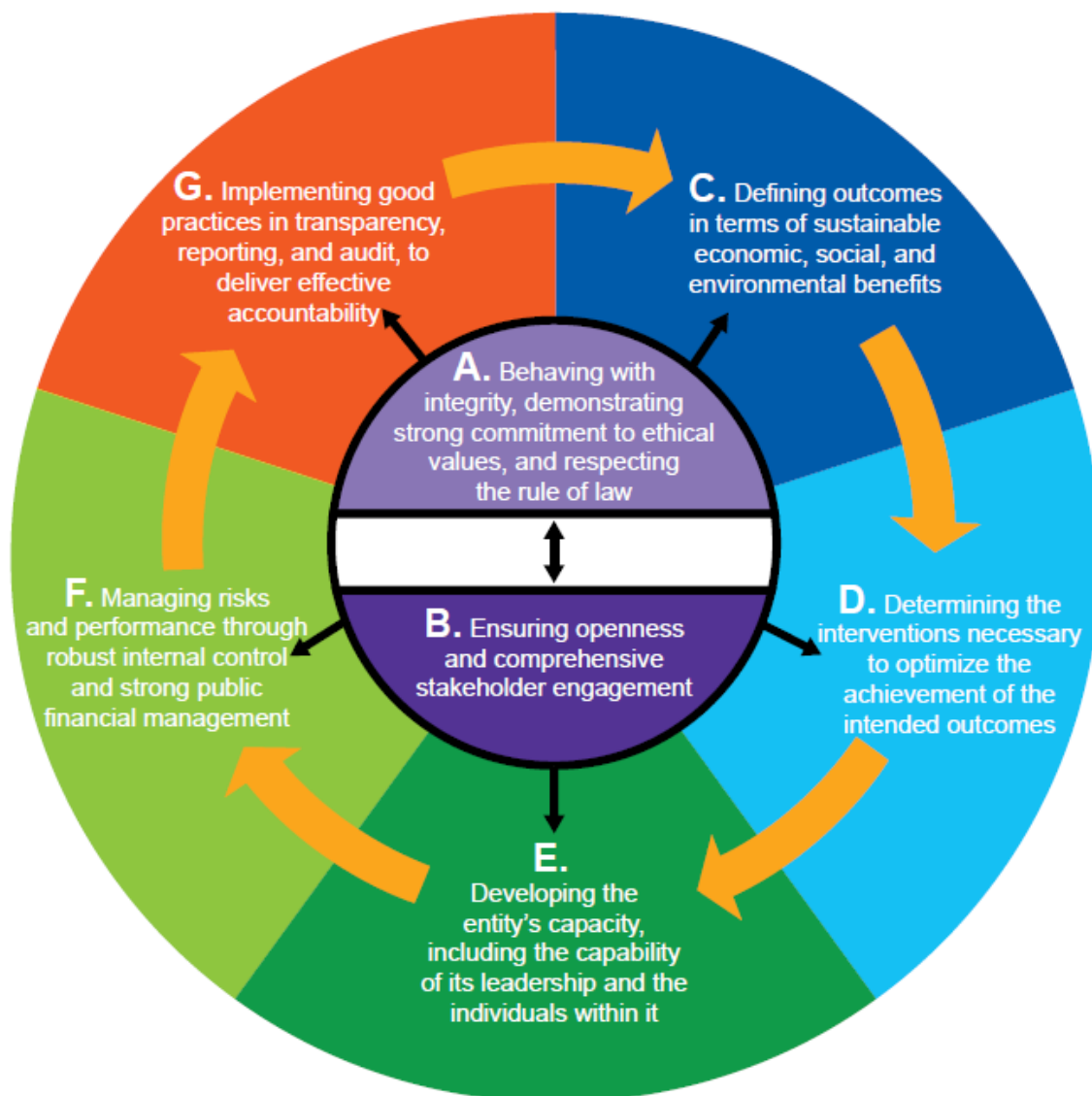
- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local 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 2021 and up to the date of approval of the Statement of Accounts. The Governance and Ethics Committee approved a Code of Local Governance at its meeting in April 2021 which supports the framework for the compilation of the Annual Governance Statement.

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 year, where it is 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

- 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 has arrangements for managing risk in its Risk Management Strategy which was approved at the Governance and Ethics Committee in April 2021.

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 Service / Service Directors who have responsibility for the development and maintenance of a sound governance environment.

6.2 This review is articulated in the Code of Corporate Governance approved by the Governance and Ethics Committee in April 2021.

6.3 It is also important to reflect on the previous year's key areas for improvement and well as a review of governance for the year past. The Covid pandemic put a lot of pressure on the Council's governance structures. For much of the year the Council was operating through an emergency planning framework with 'GOLD' meetings taking place weekly. Though specifically in respect of the Covid response, the GOLD meetings did change the usual governance framework and meant that a lot of the Council's focus was on the Covid pandemic and supporting residents and businesses. The Council did continue to

operate its usual governance processes and these were moved online with Council meetings taking place virtually throughout 2020-21 alongside all Council business through its various governance boards and groups. This meant that the Council was still able to undertake its core functions as well as operate in response to the Covid pandemic.

6.4 For 2020-21 the AGS had four areas for improvement; two of these, project capacity and asset management have been continued through into 2021-22, and two have been removed from the AGS. These two areas were:

- Delivering effective engagement
- Commercial investment

6.5 In 2020-21 the Executive approved a new communication and engagement strategy¹. This set out enhancements to be made and also reflected on the positive work completed during the pandemic. Though not all actions are complete, this has been removed from the AGS as progress has been demonstrated and it ceases to remain a key issue for improvement.

6.6 The commercial investment theme has been removed as the Council, per the decision at the Budget meeting in March 2021, has ceased new acquisitions of commercial property. The governance around the monitoring of these investment is robust. The issue did include transformation and future commercial opportunities; this will be kept under close consideration during 2021-22 because, though the Government has ruled out access to the Public Works Loans Board to borrow primarily for yield, the Council will be seeking to transform its services continually and there will be a range of projects to support this.

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:

Issue	Detail	Action	Owner / Date
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 refreshed Council Strategy	Additional resources and effective management of the project governance structure following the S&G restructure	Strategic Director (S&G) – March 2022

¹ <http://decisionmaking.westberks.gov.uk/ieDecisionDetails.aspx?AllId=59870>

Issue	Detail	Action	Owner / Date
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 from previous AGS	Completion of outstanding audit actions to be finalised in line with the Internal Audit report.	Head of Finance (Oct. 2021)
Digital Transformation	ensuring that the Digital strategy has a complete delivery plan that supports the digital enhancements that the Council wishes to make in light of ways of working established through the Covid pandemic as well as to drive service improvements and efficiencies.	Customer First Programme Board to approve and manage the Digital delivery plan	CFPB (Chairman) – March 2022

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 2020/21 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



Nick Carter
Chief Executive

Date: 1st July 2021

Date: 1st July 2021

Appendix B

Action plan – 2020-21

Item	Action	Responsible officer	Progress
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	Complete
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.	<p>Rollout of training programme on new project methodology across management</p> <p>All new projects to be supported by business case through the project methodology</p> <p>Regular monitoring and management through corporate project governance</p>	<p>Performance, Research & consultation manager</p> <p>Performance, Research & consultation manager</p> <p>Service Director (Strategy & Governance)</p>	<p>Partially complete – paused due to C-19</p> <p>Complete</p> <p>Complete</p>
Improving Asset Management - Ensure that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and	<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>Partially complete – rolled forward</p> <p>Partially complete – rolled forward</p>

Item	Action	Responsible officer	Progress
maintenance of assets.			
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)	Complete – all activity ceased and existing governance in place

Action plan – 2020-21

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.	Completion of all outstanding internal audit recommendations	Head of Finance & property	September 2021
	Completion of Asset challenge process through all asset types	Property services manager	July 2022

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Going Concern Assessment as at 31st March 2021

Committee considering report:	Governance and Ethics Committee
Date of Committee:	26 July 2021
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member sent/agreed report:	15 June 2021
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	GE4030

1 Purpose of the Report

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 2020/21.

2 Recommendation

2.1 The following recommendation is made:

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 2021.

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:	Reserve provisions have been earmarked within the General Fund to respond to future risks identified and currently unknown risks.			
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>			

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 July and any potential amendments required by External Audit) for 2020/21 was £4.6 million. The under spend was effectively 3.5% of the Council's 2020/21 net revenue budget of £131 million. From the £4.6 million under spend, the impact of Covid on spend against budgets accounts for £3.6 million, with business as usual (BAU) accounting for the remaining £1 million. The Council played a significant role in responding to the pandemic, supported by Central Government grant funding of £113 million and £5 million of Clinical Commissioning Group funding. £101 million was spent/distributed during the financial year, £5.9 million put to a Covid reserve and £10 million of funding is currently held in net assets on the Balance Sheet for deployment in 2021/22.

- (b) The provisional outturn for the 2020/21 capital is a £11 million underspend against a revised capital budget of £48.2 million. £9.9 million of planned expenditure from 2020/21 was agreed to be re-profiled into financial year 2021/22 as a result of projects being impacted by the Covid pandemic.
- (c) The revised Medium Term Financial Strategy (MTFS) for the three year period commencing assumes a Council Tax increase of 1.99% in 2020/21 and 1.99% annually thereafter. The Council is proposing no use of the Adult Social Care Precept for 2021-22, but the Government has allowed a 3% rise in the precept over the period 2021-23, so the option for the full precept remains for 2022-23.
- (d) The three year capital programme from 2021/22 to 2023/24 allocates £122.9 million (pre additional re-profiling at outturn) of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources. £69.4 million of Council funding has been allocated to the programme, sourced from a combination of prudential borrowing and anticipated capital receipts.
- (e) The authority's net assets amounted to a net liability of £18.4 million and were significantly reduced by the inclusion of the pension scheme liability of £426.7 million. The Council's overall usable reserves (revenue and capital) amount to £99.6 million compared to £70 million at 31.3.2020.
- (f) With regard to cash flow, as at the 31 March 2020 the Council held £35 million of investments (£32 million, March 2020). During 2020/21 long term debt reduced through no additional long term borrowing being undertaken. Total long term borrowing as at 31.3.2021 was £203.6 million inclusive of a £1 million community bond to support green initiatives and £12.2 million of PFI liability.
- (g) 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 2021 and for the year commencing 1 April 2021. The review process is outlined in the Annual Governance Statement, which as at 2020/21 was deemed fit for purpose and is reviewed as part of the control framework in 2021/22.

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 2021 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 2020/21 financial statements, a going concern assessment as at the Balance Sheet date of 31st March 2021 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 a Council, 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:

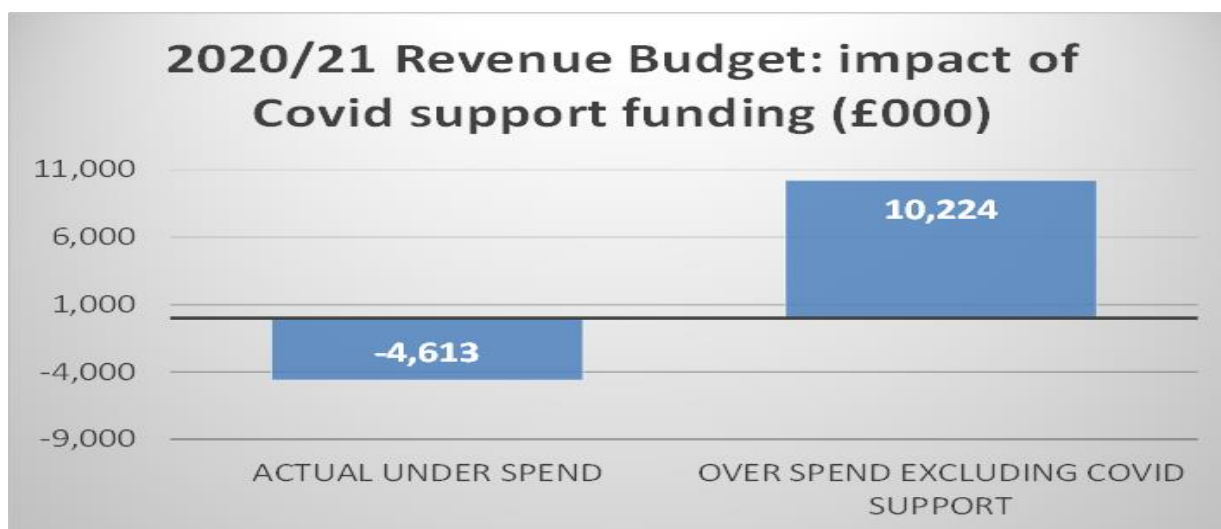
- (a) The Council's current financial position;
- (b) The Council's projected financial position;
- (c) The Council's Balance Sheet;
- (d) The Council's cash flow;
- (e) The Council's governance arrangements;

- (f) The regulatory and control environment applicable to the Council as a local authority.

Background

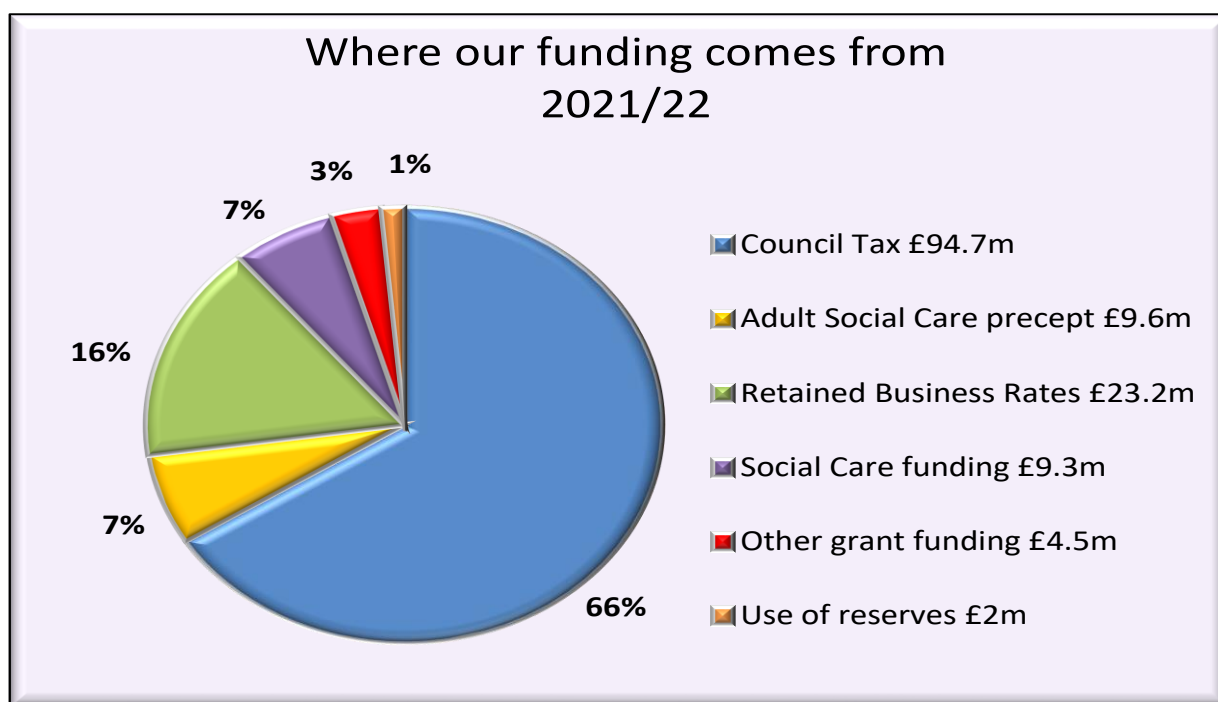
5.6 The Council's Current Financial Position is outlined below. The figures for the 2020/21 financial year are subject to further amendments completed by the time the Financial Statements are approved by the s151 officer prior to the 31st July 2021 deadline.

- (a) The Council's provisional outturn (subject to any potential amendments required by External Audit) is a £4.6 million under spend. The under spend is 3.5% of the Council's 2020/21 net revenue budget of £131 million. From the £4.6 million under spend, the impact of Covid on spend against budgets accounts for £3.6 million, with business as usual (BAU) accounting for the remaining £1 million. The Council played a significant role in responding to the pandemic, supported by Central Government grant funding of £113 million and £5 million of Clinical Commissioning Group funding. £101 million was spent/distributed during the financial year, £5.9 million put to a Covid reserve and £10 million of funding is currently held in net assets on the Balance Sheet for deployment in 2021/22.
- (b) In respect of business as usual, the overall under spend is interlinked to the impact of the pandemic and the use of Covid support funding. Without the Emergency Grant funding for expenditure and income compensation, and Adult Social Care funding from the Clinical Commissioning Group, the Council would be facing an over spend of £10 million, which would likely have put the Council far below the minimum level of reserves resulting in some immediate ceasing of service activity.



- (c) 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 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. A further £10 million of ring-fenced funding for responding to the pandemic is held on the Balance Sheet within net assets in accordance with accounting regulations.

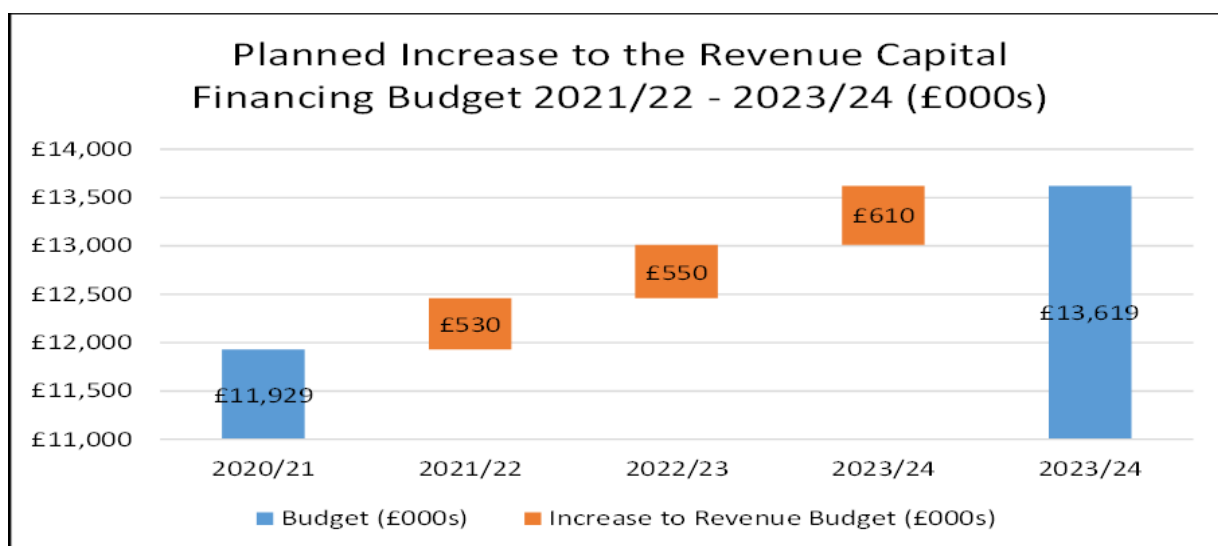
- (d) The Council has set a balanced budget for 2021/22 including £3.7 million of savings and income generation proposals. The Government Spending Review (SR20) that was announced in November 2020 was for a one year period for Local Government, understandably so at a time of significant uncertainty over public finance. The absence of a longer term financial envelope for Local Government does mean that there remains significant uncertainty over the financial position from 2022-23. The Medium Term Financial Strategy (MTFS), incorporates the following key assumptions for 2021/22:
- (i) Council Tax funds 66% of the revenue budget. The MTFS is built on a 1.99% Council Tax increase which will raise £2.04 million. Income from Council Tax is also expected to increase by a further 0.21% as a result of growth in the tax base (the number of properties paying Council Tax). This is based on a collection rate of 99.6%.
 - (ii) The Council is proposing no use of the Adult Social Care Precept for 2021-22, but the Government has allowed a 3% rise in the precept over the period 2021-23, so the option for the full precept remains for 2022-23 which would support the medium term financial position. The previous adult social care precepts now raise annual funds of £9.6 million.
 - (iii) Retained Business Rates represents the Council's share of the actual business rate collected in West Berkshire. The Government has paused the further retention of business rates to 75% until 2021-22 at the earliest; therefore West Berkshire continues to receive 50% of business rates less a significant tariff to Government meaning the overall amount of business rates retained by the Council is 25% of the total business rates collected.
 - (iv) The Council received a number of ring-fenced grants, primarily Better Care Fund (Adult Social care), the Public Health Grant and the Dedicated Schools Grant (DSG). As at 31.3.2021 the DSG has a £1.4 million deficit and a deficit recovery plan is under development.
 - (v) The pie chart below provides a split of the funding underpinning the 2021/22 budget.



(e) The 2020/21 budget is supported through an estimated £58.7 million of usable revenue reserves. £20.8 million of reserves are earmarked for future repayment of the Collection Fund deficit of £23.1 million. The Collection Fund deficit is payable over a three year period in line with regulations enacted in response to the Covid pandemic.

5.7 The Council's Projected Financial Position – Capital

- (a) The provisional outturn for the 2020/21 capital is a £11 million underspend against a revised capital budget of £48.2 million. £9.9 million of planned expenditure from 2020/21 was agreed to be re-profiled into financial year 2021/22 as a result of projects being impacted by the Covid pandemic.
- (b) The three year capital programme from 2021/22 to 2023/24 allocates £122.9 million (pre additional re-profiling at outturn) of funding sourced through a combination of grants, Section 106, Community Infrastructure Levy and Council capital resources. £69.4 million 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 to the capital financing budget have been built into the revenue capital financing budget and MTFS. The graphic below details the planned expenditure on capital financing and increases to budget provision during the current MTFS.

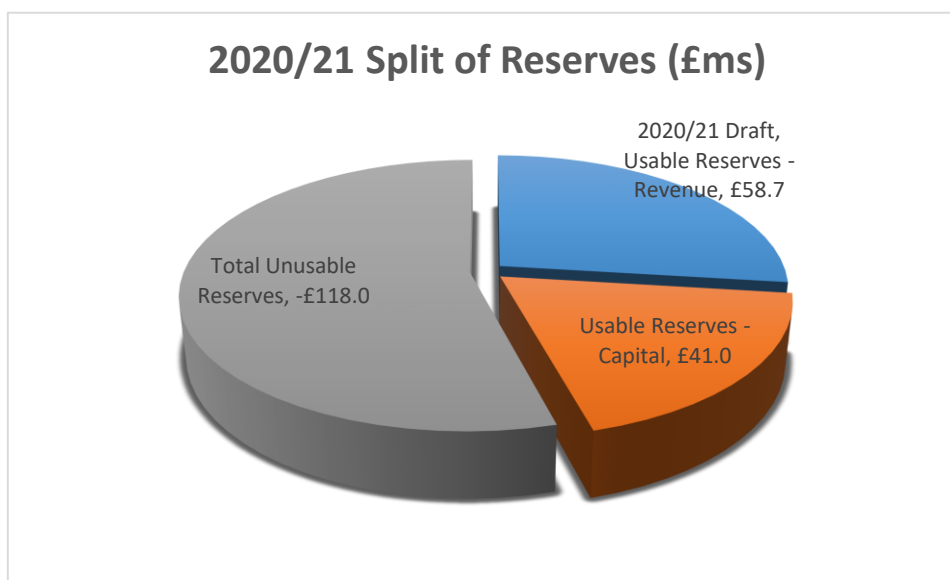


- (c) As at 31 March 2020 the Council held usable capital reserves of £33.3 million. Current usable balances as at 31st March 2021 are £40.9 million.

5.8 The Council's Balance Sheet at 31st March 2021

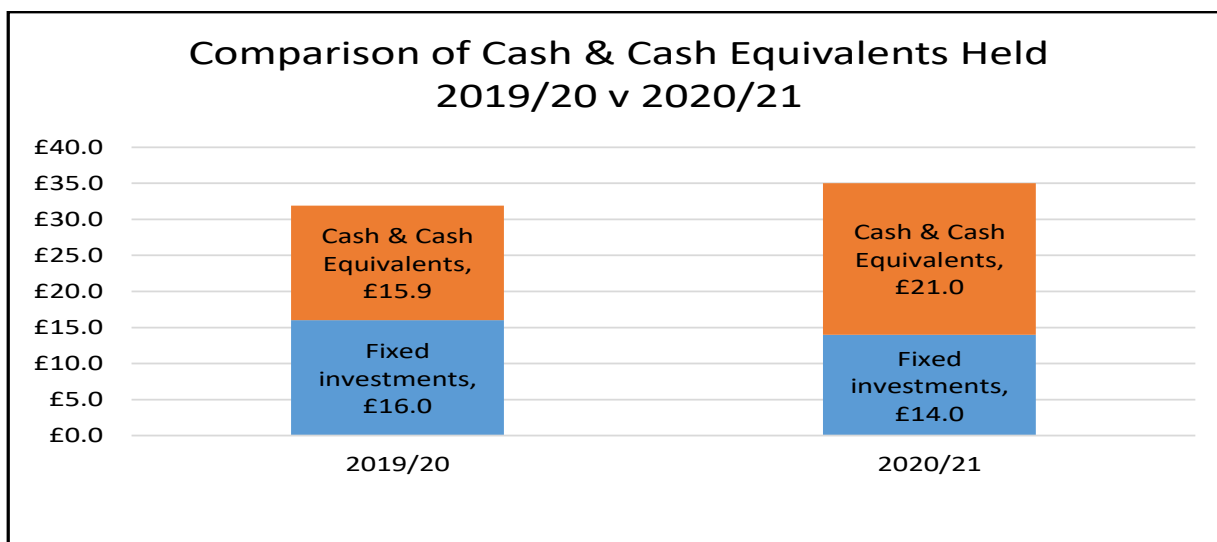
- (a) The Council's net assets as at 31.3.2021 amounted to a net liability position of £18.4 million. The net liability position has been generated through a substantial increase in the pension liability between 31.3.2020 (£293.1 million liability) and 31.3.2021 (£426.7 million liability).
- (b) The Council's assets have grown by £47.8 million to £703.4 million as at 31.3.2021. Operational assets have increased in value over the period as a result of significant investment by the Council. The Council's investment property portfolio incurred a minor downward revaluation of £255k as a result of market uncertainty in response to the pandemic, as at 31.3.2021 the portfolio held a balance of £66.3 million. The Council incurred success in year by agreeing a tenant for one property which had remained vacant. The portfolio continues to provide additional net income of approximately £500k per annum to the Council to support delivery of core Council services.
- (c) Current assets inclusive of cash balances held by the Council increased from £61 million as at 31.3.2020 to £98.1 million as at 31.3.2021. The main drivers of the increase have been additional cash balances held in year as a result of additional funding received from Government in response to the pandemic (£15.9 million as at 31.3.2020 and £21.0 million as at 31.3.2021) and a substantial increase in short term debtors of £31.5 million (£28 million as at 31.3.2020 increased to £59.5 million as at 31.3.2021). Debt recovery action was suspended during financial year 2020/21 in response to the pandemic impacting on the debtor levels contained within the financial statements. Debt recovery processes were re instigated in early 2021/22, the debtor levels will require review during the current financial year to ascertain and monitor the level of unrecoverable debt as the impacts of the pandemic continue to be felt.
- (d) In respect of reserves, usable reserves have increased from £70 million at 31.3.2020 to £99.6 million as 31.3.2021. Usable reserves are split between £58.7

million revenue and £40.9 million capital as at 31.3.2021. £26.7 million of usable revenue reserves are earmarked for responding to future impacts of the Covid pandemic, in particular £20.8 million is earmarked for repayment of the Collection Fund deficit. The Collection Fund deficit is held within unusable reserves and increased from £7.4 million as at 31.3.2020 to 23.1 million at 31.3.2021. Total unusable reserves at 31.3.2021 are a net liability of £118 million.



5.9 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 2021 the Council held £35 million of investments (£32 million, March 2020). During financial year 2020/21 availability of cash was high due to the various reliefs and compensatory grants issued to Local Authorities by Central Government. The Covid pandemic had a significant impact on the Council's finances during 2020/21. The Government provided a variety of funding schemes to support the Council, the main support has been through a non ring-fenced grant to compensate for additional costs and loss of income. The additional grant funding has resulted in higher cash balances held during 2020/21.



- (c) Due to the comparatively low cost of short term borrowing during 2020/21 no long term borrowing was undertaken in support of the Capital Strategy with the exception of the launch of a £1 million Community Bond in support of green initiatives. As at 31.3.2021 Public Works and Loan Board (PWL) borrowing was £196.5 million. Total long term debt as at 31.3.2021 was £209.7 million inclusive of the £1 million community bond and £12.2 million of PFI liability (total long term debt £203.6 million, short term debt payable within twelve months of the Balance Sheet date £6.1 million). The operational boundary for long term debt was set at £293million for 2020/21 with an authorised limit set £10million higher to allow for any unforeseen borrowing needs. At the time of 2020/21 budget setting the increased boundaries took into consideration the ongoing investment into the Council's Commercial Property Investment Strategy. Post approval of the boundaries, the Council determined to cease investment in the strategy. The operational and authorised boundaries been revised as part of the 2021/22 to support increased spending on the Council's capital programme as follows:

Authorised Limit & Operational Boundary (Borrowing Limits)	2020/21	2021/22	2022/23	2023/24
	Limit	Limit	Limit	Limit
	£000s	£000s	£000s	£000s
Authorised Limit - Operational Borrowing	£275,000	£277,000	£298,000	£331,000
Authorised Limit - PFI and Leases	£13,000	£12,000	£11,000	£10,000
Authorised Limit - Short Term Borrowing	£15,000	£15,000	£15,000	£15,000
Authorised Limit - Total External Debt	£303,000	£304,000	£324,000	£356,000
Operational Boundary - Operational Borrowing	£265,000	£267,000	£288,000	£321,000
Operational Boundary - PFI and Leases	£13,000	£12,000	£11,000	£10,000
Operational Boundary - Short Term Borrowing	£15,000	£15,000	£15,000	£15,000
Operational Boundary - Total External Debt	£293,000	£294,000	£314,000	£346,000

5.10 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 2021 and for the year commencing 1 April 2021. The review process is outlined in the Annual Governance Statement, which as at 2020/21 was deemed fit for purpose and is reviewed as part of the control framework in 2021/22.

5.11 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

5.12 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 2021.

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 2020/21 financial year, the financial performance and the Covid-19 outbreak have all been considered.

8 Appendices

Not applicable

Subject to Call-In:

Yes: No: X

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

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Document Control

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Author:			
Owning Service			

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2020/21 Draft Financial Statements Highlight Report

Committee considering report:	Governance and Ethics Committee
Date of Committee:	26 July 2021
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member sent/agreed report:	15 June 2021
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	GE3820

1 Purpose of the Report

- 1.1 This report is to inform members of the key highlights from the draft 2020/21 financial statements and progress against the implementation of recommendations made by the Council's external auditors Grant Thornton in respect of the 2019/20 external audit.

2 Recommendation

This report does not include any recommendations and is for members to note only.

3 Implications and Impact Assessment

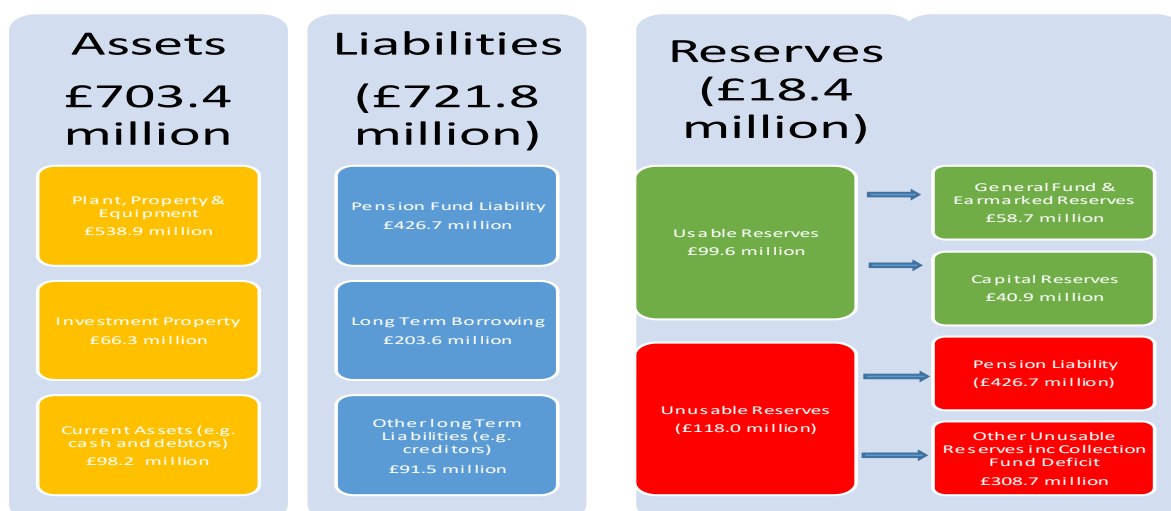
Implication	Commentary
Financial:	The Council continues to maintain healthy usable reserve levels for future deployment in support of services and expenditure. The negative Balance Sheet of £18.4 million is driven by the increase in the pension fund liability to £426 million, which is subject to significant changes between reporting periods due to changes in underlying actuarial assumptions.
Human Resource:	Not applicable
Legal:	The Council is required to ensure the annual financial statements are properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting

	and prepared in accordance with the Local Audit and Accountability Act 2014.			
Risk Management:	Where external auditors deem that the Council's annual financial statements are not prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and the Local Audit and Accountability Act 2014, this can result in additional testing and external audit fees. If the external auditor finds that the Council has not produced financial statements that provide a true and fair view of the Council's financial position and performance this will result in a qualified audit opinion with significant reputational repercussions.			
Property:	Not applicable			
Policy:	Not applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		

ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	Joseph Holmes – executive Director for Resources, s151 Officer			

4 Executive Summary

4.1 The financial statements are produced in compliance with the CIPFA/LASAAC code of practice on local authority accounting and the Local Audit and Accountability Act 2014. The 2020/21 financial statements are currently under production and the figures in this report are subject to change. It is anticipated that the draft financial statements will be produced by the extended national deadline of 31st July 2021. The draft Balance Sheet is currently in a negative £18.4 million position. In respect of overall net assets held by the Council, i.e. total assets less total liabilities, the graphic below provides a high level overview of the Balance Sheet as at 31.3.2021.

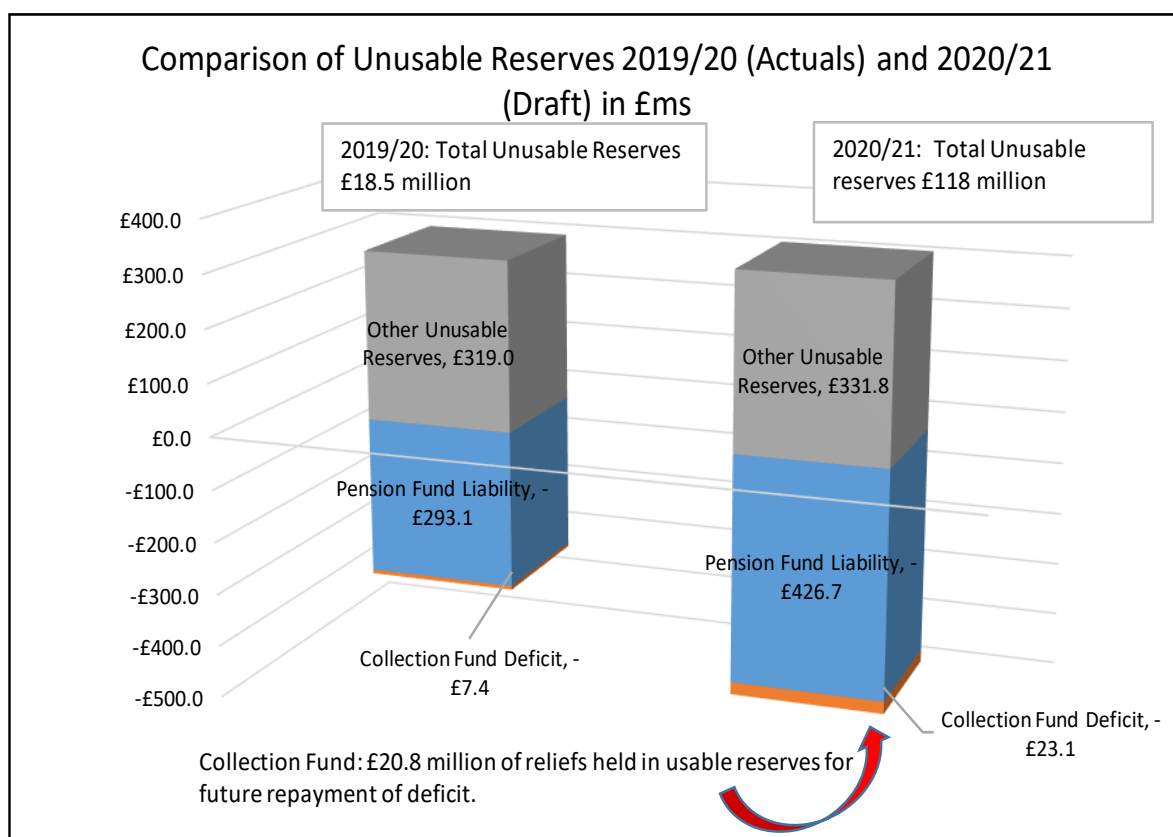


4.2 The main driver for the negative Balance Sheet position is the pension liability. The pension liability as at 31.3.2021 has grown by £133.6 million to £426.7 million. The pension fund liability is determined by the external actuaries and the performance of

The Royal Berkshire Pension Fund. The two main contributing factors to the £133.6 million increase between 31.3.2020 and 31.3.2021 are:

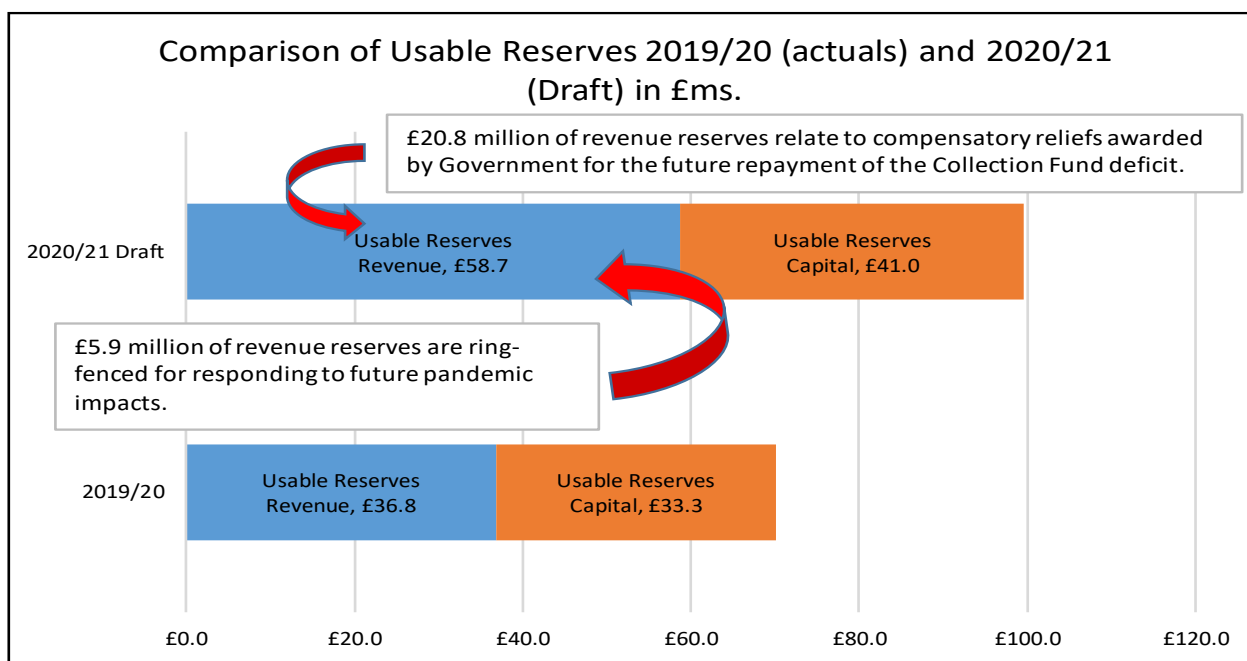
- (a) A fall in bond rates between 31.3.2020 and 31.3.2021 (bond rates are used to discount to present value, a lower bond rate results in a higher value placed on the present value increasing the liability),
- (b) The increase in CPI assumptions as pensions payable are linked to inflation increasing the liability.

4.3 The pension liability is shown as a liability within the Council’s net assets on the Balance Sheet and has a corresponding deficit held in the unusable reserves. The other main significant reserves move relates to the Collection Fund (Council Tax and Business collections). The Collection Fund deficit has grown substantially between 31.3.2020 (£7.4 million) and 31.3.2021 (£23.1 million) due to extraordinary circumstances relating to the pandemic. The financial downturn has caused collection rates to be substantially lower than those estimated, whilst the Government has introduced emergency rate reliefs for particular business sectors and compensation schemes for Councils. The collective Collection Fund deficit as at 31.3.2021 is broken down into Council Tax (deficit of £1.5 million) and Business Rates (deficit of £21.6 million). Accounting regulations require that the gross deficit of £23.1 million is held within unusable reserves on the Council’s Balance Sheet. Compensatory reliefs totalling £20.8 million (Council tax £1 million and Business Rates £19.8 million) are required to be held within usable reserves.



4.4 The overall reserves position (usable plus unusable) is a negative £18.4 million (£99.6 million usable and £118 million unusable). Usable reserves have increased from £70

million as at 31.3.2020 to £99.6 million as at 31.3.2021. The increased usable reserves balance is inclusive of £20.8 million of Collection Fund compensation reliefs and £5.9 million of earmarked funding to respond to impacts of the pandemic in future financial years. Usable reserves are split between capital reserves of £40.9 million and revenue reserves of £58.7 million.



4.5 Under International Standard on Auditing 570 the Council’s appointed External Auditor Grant Thornton, request that as part of the closure of the 2020/21 financial statements, a going concern assessment as at the Balance Sheet date of 31st March 2021 is 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. When financial statements are prepared on a going concern basis, assets and liabilities are recorded on the basis that the Council will be able to realise its assets and discharge its liabilities in the normal course of business. A negative Balance Sheet, i.e. a net liability position requires a greater level of management assurance to underpin a positive going concern assessment. The Draft Financial Statements Highlights Report should therefore be read in conjunction with the 2020/21 Going Concern Assessment Report.

5 Supporting Information

Introduction

5.1 Councils are required to annually produce a set of financial statements that comply with CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. The statutory deadline for production and publication of the annual financial statements is 31st May. As a result of the Covid pandemic the deadline has been temporarily extended to 31st July 2021 for the financial year 2020/21 draft statements.

5.2 Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the Council's appointed external auditors are required to report whether, in their opinion, the Council's financial statements:

- (a) Give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and
- (b) Have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Background

5.3 The 2019/20 Financial Statements were finalised on 28th May 2020 with an unqualified audit opinion issued by the Council's external auditors Grant Thornton. A number of recommendations were made by Grant Thornton (full Action Plan dated 7.4.2021 is included in appendix A), which impact on the preparation of the 2020/21 financial statements, summarised as follows:

- (a) "Review of the Fixed Asset Register (FAR) and agreement to the statement of accounts identified that one asset valued at £2.4m had been incorrectly classified as an investment property and £6.1m of Investment property land had been double counted. This has resulted in a material adjustment to the primary statements. Recommendation: The Council should review all supporting documentation for Property, Plant and Equipment to ensure that balances are appropriately and accurately disclosed in the statement of accounts." **Progress: New review procedures have been adopted for preparation of the 2020/21 financial statements.**
- (b) "Substantive testing of transactions identified that the Council has an issue with providing a full breakdown of transactions and in reconciling populations to the balances disclosed in the statement of accounts. This has required management to run individual reports on an ad-hoc basis to provide the listing to Audit and has resulted in a number of errors being noted. There is a risk that the balances disclosed in the statement of accounts are either misstated or cannot be supported which could lead to a material adjustment within the primary statements. Recommendation: The Council should ensure that balances disclosed in the statement of accounts are fully supported by an auditable transaction listing or other supporting documentation." **Progress: The current Agresso system is not mapped, i.e. it functions as a general ledger as opposed to a system which has capability to produce a set of financial statements. The statements were produced manually for 2019/20. Partial mapping of the system is now in place and a Balance Sheet, Comprehensive Income & Expenditure Statement and a number of disclosure notes can be produced from the system. Full mapping of the system is an ongoing process.**
- (c) "The Audit approach requires the identification and testing of debit balances in income. Testing of these items identified that they were expenditure items and therefore incorrectly classified. There is a net nil impact on the statement of accounts. Recommendation: The Council should ensure that all transactions are appropriately classified within the General Ledger and subsequently the statement

of accounts.” **Progress: This is in progress and is linked to the mapping of the Agresso system.**

- (d) “The Code requires that the Council disclose an Expenditure Funding Analysis within the statement of accounts to show a reconciliation between the figures in the statement of accounts and the outturn figures reported to members. Review of these identified that the figures did not reconcile. Recommendation: The Council should ensure the consistency of reporting between the statement of accounts and the figures reported to members.” **Progress: Pending - upon completion of the draft 2020/21 financial statements, a reconciliation between the financial position at outturn reported to members and the position of the Comprehensive Income & Expenditure Statement in the accounts will be provided within the Director’s Narrative Statement.**

5.4 In respect of statutory changes which will impact on the preparation of the 2020/21 accounts, no new accounting standard have been adopted in relation to financial year 2020/21. The implementation of IFRS 16 Leases has been delayed until financial year 2022/23. Other changes that will impact on the 2020/21 financial statements are:

- (a) Council’s with an accumulated deficit on the Dedicated Schools Grant (DSG) as at 31.3.2020 are required to transfer any deficit at 31.3.2021 to a newly created DSG Adjustment Account held within unusable reserves. There was an accumulated deficit on the DSG as at 31.3.2020 of £1.6 million, the revised deficit at 31.3.2021 is £1.4 million.
- (b) The requirement for additional disclosures in the financial statements relating to pandemic grant funding received and distributed during the financial year. Additional disclosures of pandemic funding and application within the Finance Director’s Narrative Statement within the financial statements.

Proposals

There are no proposals included within this report. This report is to note only.

6 Other options considered

Not applicable, report is to note only.

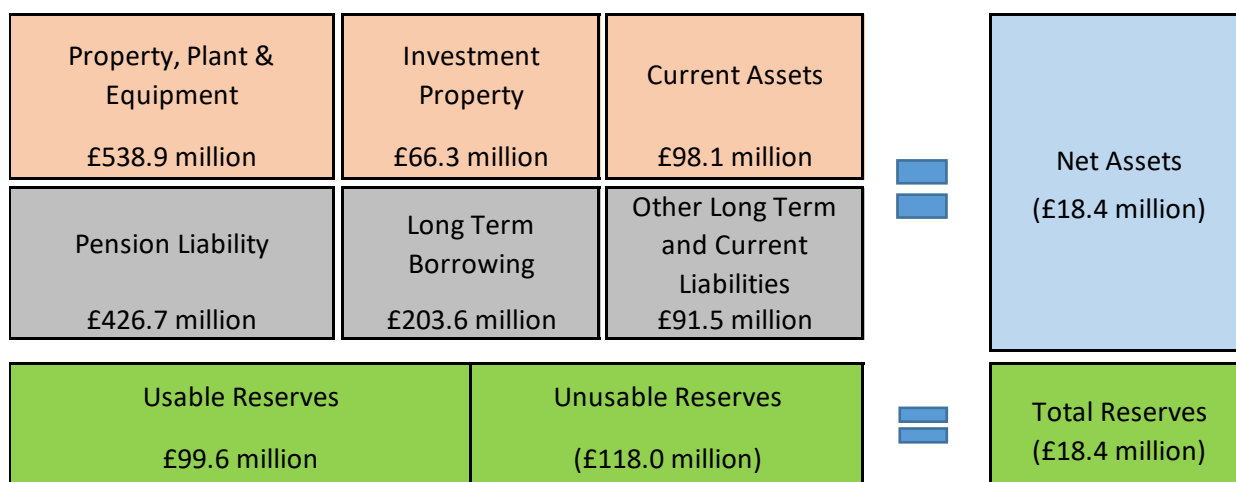
7 Conclusion

- 7.1 The financial statements are produced in compliance with the CIPFA/LASAAC code of practice on local authority accounting and the Local Audit and Accountability Act 2014. The 2020/21 financial statements are currently under production and the figures in this report are subject to change. It is anticipated that the draft financial statements will be produced by the extended national deadline of 31st July 2021.
- 7.2 The draft Balance Sheet is currently in a negative £18.4 million position. The negative position is being driven by the pension fund liability which has increased substantially between 31.3.2020 (£293 million) and 31.3.2021 (£426.7 million) financial year ends. The pension liability is based on the assumption that if the Council ceases to exist as at

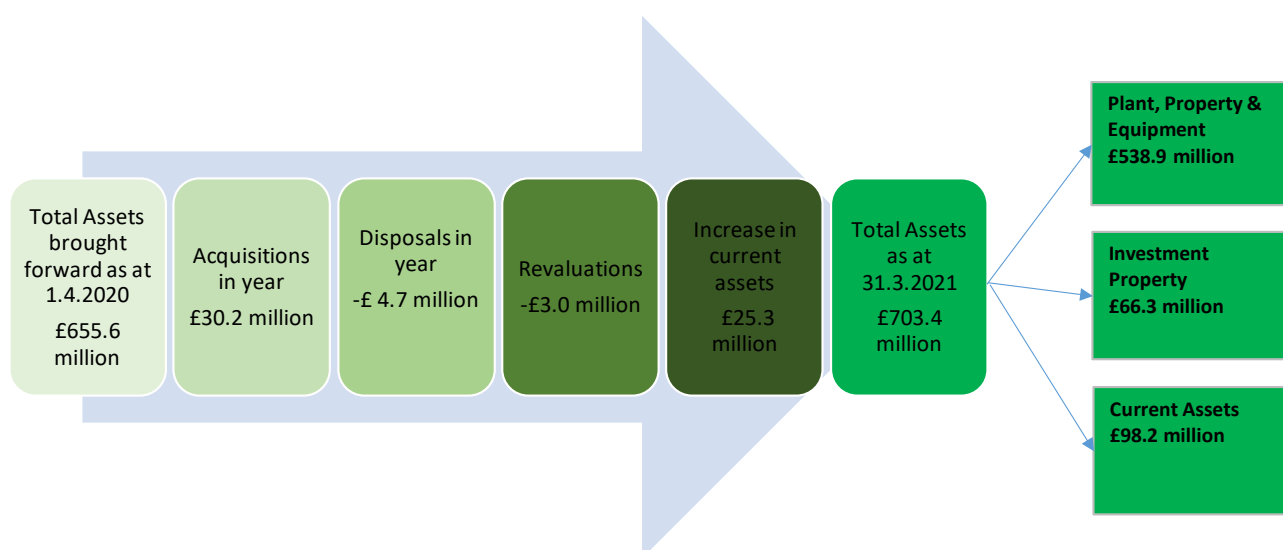
31.3.2021 then the full liability would be payable. The two main contributing factors to the £133.6 million increase are:

- (a) A fall in bond rates between 31.3.2020 and 31.3.2021 (bond rates are used to discount to present value, a lower bond rate results in a higher value placed on the present value increasing the liability),
- (b) The increase in CPI assumptions as pensions payable are linked to inflation increasing the liability.

7.3 In respect of overall net assets held by the Council, i.e. total assets less total liabilities, the graphic below provides a high level overview of the Balance Sheet as at 31.3.2021.



7.4 The Council’s total assets have increased from £655.6 million as at 31.3.2020 to £703.4 million as at 31.3.2021. The uplift is detailed in the following graphic.

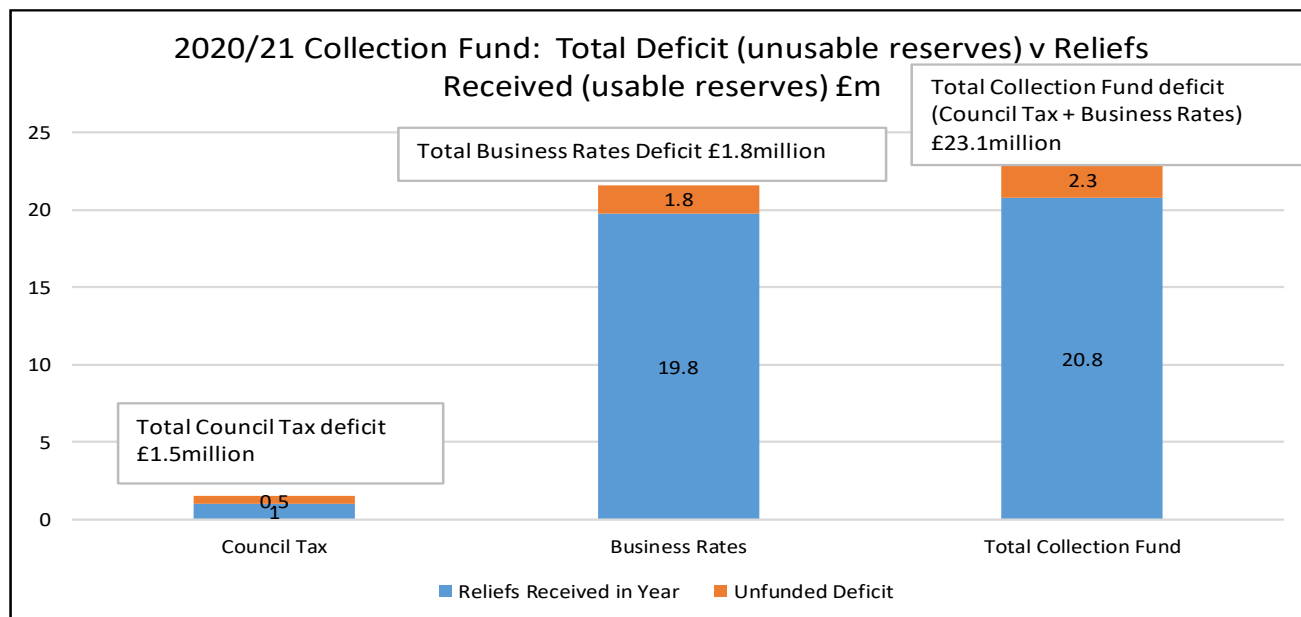


7.5 Asset additions of £30.2 million primarily relate to infrastructure improvements and improvements to operational buildings inclusive of Council controlled schools. £4.7

million of disposals were processed relating to actual sale of assets (e.g. Waterside Youth Centre) and a writing out of assets from the accounts where ownership/existence of the asset could not be substantiated (£4.2 million).

- 7.6 Current assets inclusive of cash balances held by the Council increased from £61 million as at 31.3.2020 to £98.1 million as at 31.3.2021. The main drivers of the increase have been additional cash balances held in year as a result of additional funding received from Government in response to the pandemic (£15.9 million as at 31.3.2020 and £21.0 million as at 31.3.2021) and a substantial increase in short term debtors of £31.5 million (£28 million as at 31.3.2020 increased to £59.5 million as at 31.3.2021). Debt recovery action was suspended during financial year 2020/21 in response to the pandemic impacting on the debtor levels contained within the financial statements. Debt recovery processes were re instigated in early 2021/22, the debtor levels will require review during the current financial year to ascertain and monitor the level of unrecoverable debt as the impacts of the pandemic continue to be felt.
- 7.7 In respect of the overall reserves position, usable reserves have increased from £70.0 million as at 31.3.2020 to £99.6 million as at 31.3.2021. The increased usable reserves balance is inclusive of £20.8 million of section 31 reliefs provided by Government to offset the Collection Fund deficit of £23.1 million held in unusable reserves. A further £5.9 million of funding is earmarked in a ring-fenced reserve to respond to impacts of the pandemic in future financial years. Usable reserves are split between capital reserves of £40.9 million and revenue reserves of £58.7 million.
- 7.8 Unusable reserves have been impacted by the Pension Fund liability and the Collection Fund Deficit. Unusable reserves are amounts set aside that the Council is unable to use to fund expenditure because they are unrealised or notional, i.e. they are not cash backed and relate to accounting adjustments.
- 7.9 The Collection Fund deficit has grown substantially between 31.3.2020 (£7.4 million) and 31.3.2021 (£23.1 million) due to extraordinary circumstances relating to the pandemic. The financial downturn has caused collection rates to be substantially lower than those estimated. In addition, after the estimated proceeds were fixed for 2020/21, the Government introduced emergency rate reliefs for particular business sectors. In the cases of both reduced collection rates and emergency rate reliefs, the Government has implemented grant schemes to compensate Councils for the lost income. However, accounting regulations require that the shortfalls in estimated income are reversed out of the General Fund at 31 March 2021 and into the Collection Fund Adjustment Account in unusable reserves. The grants that compensate for these losses however remain within the General Fund. In essence the deficit incurred between estimated income for 2020/21 and actual income received is held in the unusable reserves and the compensatory reliefs are held in the General Fund in usable reserves.
- 7.10 As at 31.3.2021 the total Collection Fund deficit is £23.1 million gross and £2.3 million net after consideration of reliefs held in the General Fund. The deficit is broken down into Council Tax (gross deficit at 31.3.2021 of £1.5million, net deficit of £0.5million after consideration of £1 million of reliefs) and Business Rates (gross deficit £21.6 million, net deficit of £1.8 million after consideration of £19.8 million of reliefs). The reliefs are held in the General Fund and earmarked for future repayment of the Collection Fund deficit over three financial years determined under statutory guidance passed in response to the pandemic. The total Collection Fund deficit in unusable reserves is

£23.1 million and £20.8 million of grant reliefs is held in usable reserves, detailed in the graphic below.



7.11 In preparing the 2020/21 financial statements there has been a change in accounting practice relating to treatment of the cumulative deficit on the Dedicated Schools Grant (DSG). In prior years the deficit has been treated as a debtor in net assets. For 2020/21 new guidance was released in May 2021 requiring for the deficit to now be held within the Council’s unusable reserves. The DSG deficit held in unusable reserves as at 31.3.2021 is £1.4 million.

7.12 The Section 151 Officer concludes based on the draft Balance Sheet as at 31.3.2021, the Council continues to maintain healthy usable reserve levels for future deployment in support of services and expenditure. The negative Balance Sheet is driven by the increase in the pension fund liability which is subject to significant changes between reporting periods due to changes in underlying actuarial assumptions.

8 Appendices

8.1 Appendix A – 2019/20 LG Audit Findings Report Action Plan supplied by Grant Thornton dated 7.4.2021.

8.2 Appendix B – Directors Narrative Statement

Subject to Call-In:

Yes: No: X

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

- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

Officer details:

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 E-mail: Shannon.colemanslaughter@westberks.gov.uk

Document Control

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Version:		Date Modified:	
Author:			
Owning Service			

Change History

Version	Date	Description	Change ID
1			
2			

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The Audit Findings for West Berkshire Council - Updated

Year ended 31 March 2020
8 April 2021
Page 63






Action plan

We have identified 11 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.






Assessment	Issue and risk	Recommendations
 High	<p>Review of the Fixed Asset Register (FAR) and agreement to the statement of accounts identified that one asset valued at £2.4m had been incorrectly classified as an investment property and £6.1m of Investment property land had been double counted. This has resulted in a material adjustment to the primary statements</p>	<p>The Council should review all supporting documentation for Property, Plant and Equipment to ensure that balances are appropriately and accurately disclosed in the statement of accounts</p> <p>Management response</p> <p>The 2019/20 Statement of Accounts has been adjusted for the £2.4m reclassification and £6.1m duplication. The Council understands the importance of completeness and accuracy within all Fixed Asset categories, and will undertake a detailed exercise to ensure that the Fixed Asset Register and supporting accounting records are fully reviewed</p>
 Medium	<p>Detailed transaction testing identified a case where supporting document could not be provided and therefore we are unable to confirm that the value has been correctly included. There is a risk that items will be incorrectly disclosed in the accounts leading to a potential overstatement. An unadjusted misstatement has been identified</p>	<p>The Council should ensure that all supporting documentation is retained and can be accessed when requested in order to provide evidence for figures disclosed within the statement of accounts..</p> <p>Management response</p> <p>Noted. The impact of Covid-19 created some challenge in providing certain third party documentation, this due primarily to the inability of Finance staff to access the Council's main office</p>
 Medium	<p>Substantive testing of transactions identified that the Council has an issue with providing a full breakdown of transactions and in reconciling populations to the balances disclosed in the statement of accounts. This has required management to run individual reports on an ad-hoc basis to provide the listing to Audit and has resulted in a number of errors being noted. There is a risk that the balances disclosed in the statement of accounts are either misstated or cannot be supported which could lead to a material adjustment within the primary statements</p>	<p>The Council should ensure that balances disclosed in the statement of accounts are fully supported by an auditable transaction listing or other supporting documentation</p> <p>Management response</p> <p>The Council appreciates the importance of a fully-mapped and reconciled accounting system and work is underway with external consultants to enhance the reporting framework allied to the production of the Statement of Accounts</p>

Controls




-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Action plan

We have identified 11 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.




Assessment	Issue and risk	Recommendations
 Medium	A review of the draft statement of accounts identified a number of disclosures that were not included and disclosures that were not compliant with the requirements of the code including fair value hierarchy.	<p>The Council should review the Code and any changes to disclosure requirements as a result of changes in accounting standards to ensure that the draft statement of accounts are compliant before the commencement of the audit</p> <p>Management response</p> <p>The CIPFA Code will be reviewed in advance of the production of the 2020/21 Statement of Accounts to ensure that all disclosure content</p>
 Medium	Testing of PPE disposals identified that there were a number of disposals hat related to REFCUS which had been previously incorrectly classified. The disposal was to correct this classification	<p>The Council should ensure that all assets are correctly classified and that where errors are identified the appropriate accounting actions are undertaken</p> <p>Management response</p> <p>Noted</p>
 Medium	The Code requires that the Council disclose an Expenditure Funding Analysis within the statement of accounts to show a reconciliation between the figures in the statement of accounts and the outturn figures reported to members. Review of these identified that the figures did not reconcile	<p>The Council should ensure the consistency of reporting between the statement of accounts and the figures reported to members</p> <p>Management response</p> <p>For 2020/21, a working paper will be provided that bridges the year-end financial information reported to members and the associated Statement of Accounts content</p>
 Medium	REFCUS allows the Council to fund certain revenue expenditure through capital on the basis of meeting a number of criteria. Testing is required to ensure that this has been properly and accurately applied. Testing undertaken identified £600k of expenditure for which the Council could not provide a transaction listing and therefore could not be tested.	<p>The Council should ensure that all balances within the statement of accounts are fully supported and reconciled through a transaction listing within the general ledger.</p> <p>Management response</p> <p>Noted</p>
 Medium	The Audit approach requires the identification and testing of debit balances in income. Testing of these items identified that they were expenditure items and therefore incorrectly classified. There is a net nil impact on the statement of accounts	<p>The Council should ensure that all transactions are appropriately classified within the General Ledger and subsequently the statement of accounts</p> <p>Management response</p> <p>Agreed. Review work will be undertaken to ensure that the applicable debit and credit balances have been accounted for appropriately</p>

Controls




-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Action plan

We have identified 11 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Low	A review of the bank reconciliation identified approximately £45k in unpresented cheques from 2018 that remained in the workings.	The Council should ensure historical items are appropriately included and that no further action can or should be taken Management response Finance is in the process of enhancing the review procedures attached to the bank reconciliation. Management appreciate the importance of ensuring that historic transactions are not included as unpresented items within the bank reconciliation
 Low	The overall balance of Grants received in advance is correct and has been agreed to supporting documentation. Testing identified that the analysis of this balance was incorrect and that it should not just be disclosed as a LEP balance	The Council should ensure that where analysis over a number of headings is required for a balance that this is done appropriately and accurately Management response The accounting implications of this observation have now been reflected within the 2019/20 Statement of Accounts
 Low	One item selected for testing with a value of £4.2m was made up of numerous transactions for which the Council are unable to provide third party evidence to support their award.	The Council should ensure supporting evidence is retained for all balances within the statement of accounts to provide assurance as part of the audit process. Management response Noted

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Executive Directors Narrative Statement 2020/21

1. Finance and Resources

The 2020-21 financial year saw the Council return a surplus overall to increase its General Fund by over £4 million. As detailed further, there have been a significant amount of other transactions that support this position including substantial Government funding support during the Covid pandemic. In financial terms, the 2020-21 year has been extraordinary, with additional funding for the Council, business and residents nearly equivalent to Council's annual budget being supplied. The impact of this support and the continued impact of the pandemic will continue to be felt into future financial years. The other significant change in the financial statements for this year is that the Council has a negative balance sheet driven by the increase to the overall pension deficit; both of these themes are referred to below.

The future of Local Government finance contains plenty of uncertainty. The impact of the Covid pandemic will be felt for a number of years and is likely to change how public services are delivered in the long term. The Government Spending Review (SR20) that was announced in November 2020 was for a one year period for Local Government, given the significant uncertainty over the public finances. The absence of a longer term financial envelope for Local Government does mean that there remains significant uncertainty over the financial position from 2022-23. The Council has had an ongoing focus on ensuring strong financial management and resilience to ensure that, irrespective of this uncertainty, that it has sufficient financial reserves as well as a medium term financial planning framework, to continue to operate its services to the public and deliver the Council Strategy.

2. COVID-19 PANDEMIC

The Covid pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 23rd March 2020, resulted in many businesses being forced to close – significantly impacting on the local economy. Subsequent regional and national lockdowns over the course of 2020/21 have further impacted on the Council's finances.

During financial year 2020/21, the Council has incurred substantial losses across many of its income streams. These include parking, licensing fees, registrars and planning fees. On the expenditure front, key areas of additional pressure have included accommodation and support for rough sleepers, and additional costs in supporting our most vulnerable adults and children. The Government's emergency Covid funding for local authorities has been substantial. Supported by Central Government grant funding of £113m and £5m of Clinical Commissioning Group (CCG) funding, the Council has undertaken a range of activities within the district and distributed business rate reliefs. £101m of funding received has been spent or distributed, £6m put to a Covid reserve and £10m carried forward to 2021/22 to address future impacts from the pandemic. Without Emergency Grant funding supplied by Government for expenditure and income compensation, and Adult Social Care funding from the CCG, the Council would be facing an over spend of nearly £10m, which would likely have put the Council far below the minimum level of reserves resulting in some significant impacts on service activity.

Moving forward, the Council will continue to develop its Medium Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's revised strategic objectives, including Recovery work. The Council continues to pride itself on ensuring services deliver high outcomes and offer value for money, sound and prudent financial management supports this objective. The outturn for the financial year 2020/21 will help to support the Council's resilience as well as having continued to deliver a wide range of well received services, whilst continuing to respond to the long term impacts of the Covid pandemic

Joseph Holmes

Executive Director for Resources, s151 Officer

Date:

3. 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.

The district services an estimated population of 158,450, split between a demographic of 127,882 under 65 year olds and 30,568 residents over 65 years old. District residents predominately reside within the main market towns of Newbury, Thatcham and Hungerford. The average employment rate is 83.0% compared to the Great Britain average of 75.4%. The rate of violent crime per 1,000 population across the district is 17.13 compared to a rate of 22.96 across the Thames Valley Police area.

4. 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.

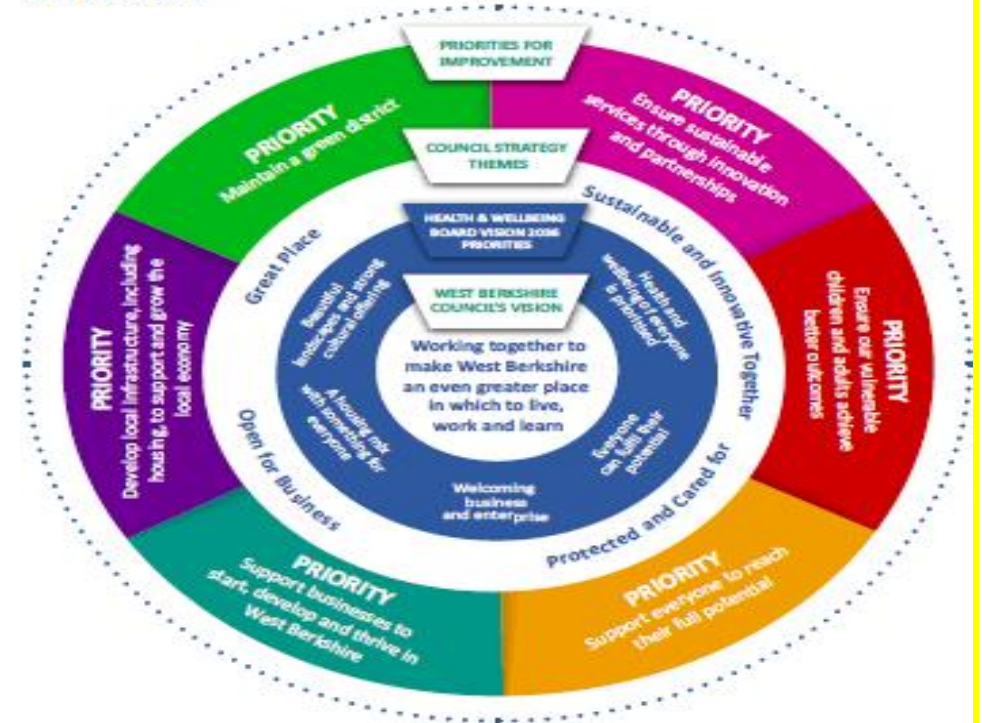
The Council provides over 700 functions across the district and supports 66,000 households. 95.7% of schools in the area have been judged good or better by Ofsted as at 31st December 2020.

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.

5. Council Strategy

The Council Strategy was refreshed in 2020/21 with a renewed focus on six priority areas. There is an accompanying action plan to deliver the strategy by March 2023. In light of Covid-19, the Council Strategy and a number of supporting strategies have been reviewed to consider the implications of the outbreak on our future work. These are available on the Council's webpages at: <https://info.westberks.gov.uk/policies>

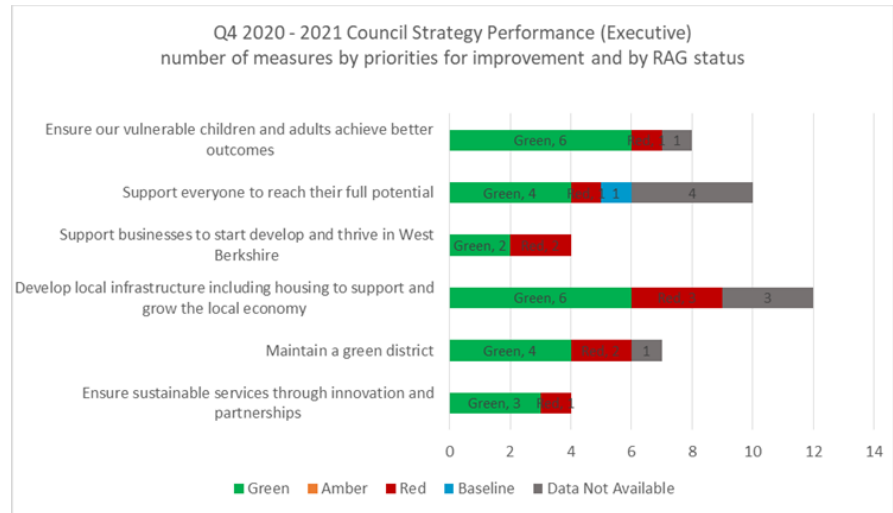
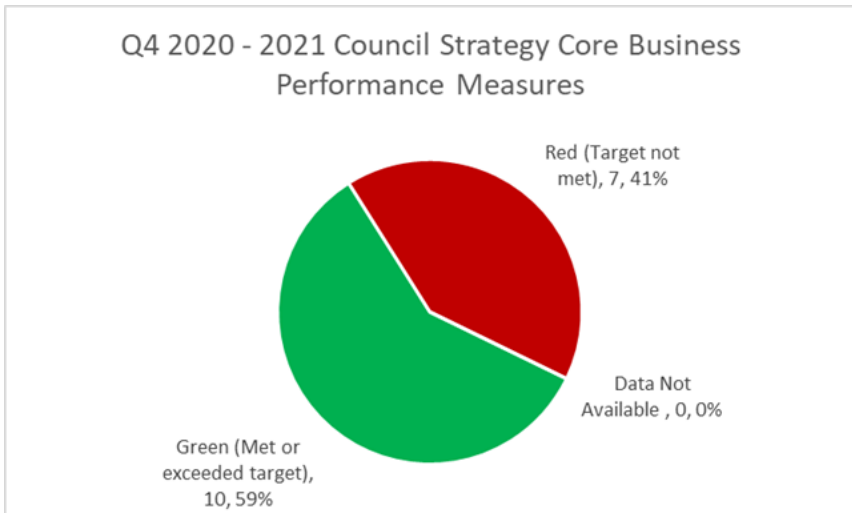
West Berkshire Council Strategy 2019-2023



6. Councils Performance Achievements

The Council has a formal quarterly process for measuring performance against strategic objectives. As at 31 March 2021, a 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.

Provisional end of year results show that strong performance has been maintained despite the Covid-19 pandemic. Targets for 10 measures (59%) were achieved and were (RAG) rated 'Green'. Seven measures (41%) were not achieved and were RAG Rated 'Red' (some as a result of conscious decisions of the Council in order to save lives and livelihoods of West Berkshire residents).



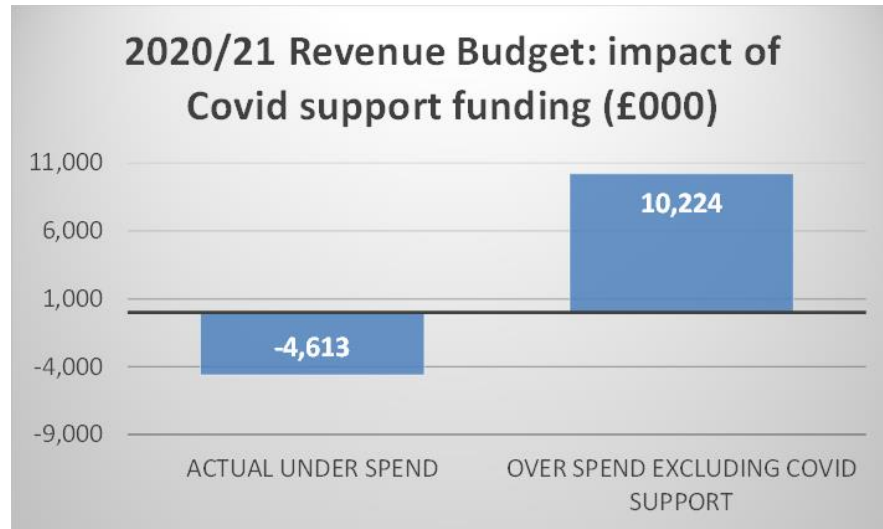
Another component of the performance reporting framework focuses on the progress against delivery of the Council Strategy’s Priorities for Improvement. The graphic below illustrates results achieved against each priority for improvement.

Performance information was available for 35 performance measures and an additional 10 were either baselining measures or unable to report (e.g. as a result of school exams not taking place for 2019/20 academic year).

7. Financial Performance: Response to the Covid Pandemic

The 2020/21 financial year presented a significant number of financial challenges for the Council in supporting residents and local businesses. The 2020/21 net revenue budget of £131m was set in March 2020, however, before the start of the financial year, the country was in national lockdown due to the Covid pandemic. The Council has played a significant part in responding to the pandemic, supported by Central Government grant funding. Central Government grant funding of £113m and £5m CCG funding, was received, enabling support of a range of activities within the district and distribute business rate reliefs. £101m has been spent or distributed, £6m put to a Covid reserve and £10m carried forward to 2021/22.

Without Emergency Grant funding supplied by Government for expenditure and income compensation, and Adult Social Care funding from the CCG, the Council would be facing a significant over spend, which would likely have put the Council far below the minimum level of reserves resulting in some immediate ceasing of service activity.

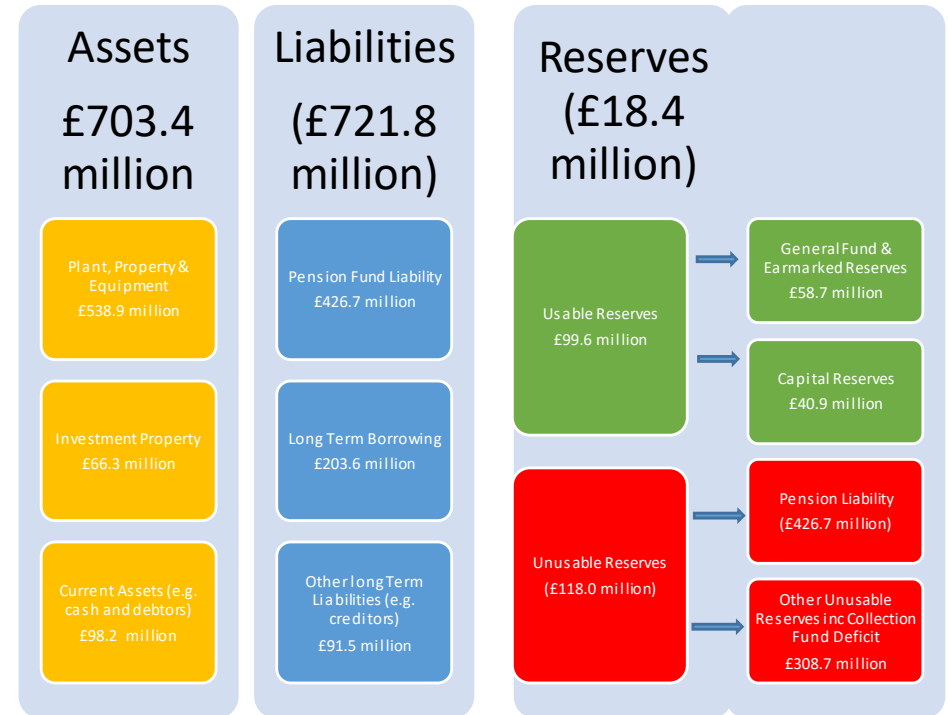


The revenue outturn of £4.6 million underspend is net of £5 million of transfers to reserves. The under spend will be added to the Council's general reserves, of which over £2m has already been allocated to support

the 2021/22 budget, to balance the financial impact of the pandemic on residents with the cost pressures the Council faces.

8. Financial Performance – Financial Context of the Council

Summary Balance Sheet as at 31.3.2021



As at the Balance Sheet date the Council holds total assets of £703.4 million which include:

- Operational land and buildings of £538.9 million
- Investment property of £66.3 million

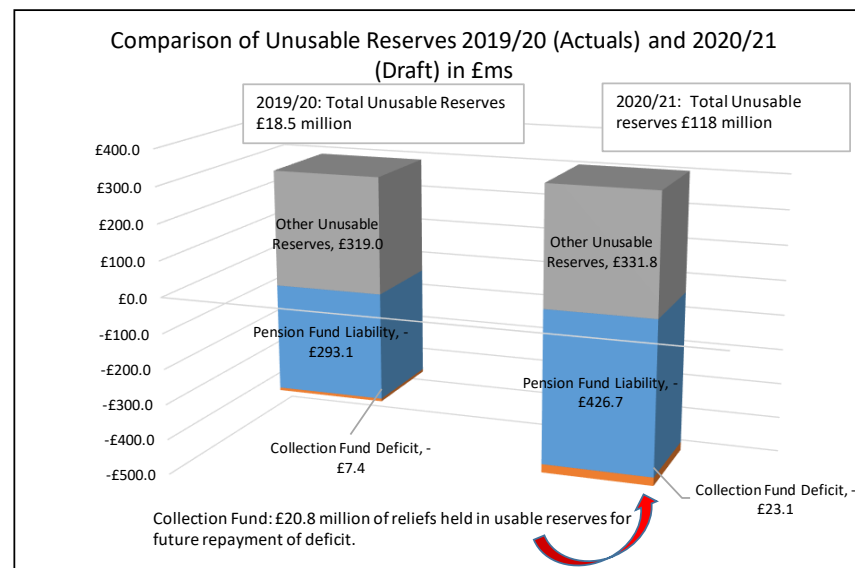
Total liabilities of £721.8 million include:

- Long term borrowing of £203.6 million
- The pension scheme potential future liability of £426.7 million

The Council's Balance Sheet includes £99.6 million of useable reserves available to fund future spending plans and £118 million of unusable reserves. The overall Balance Sheet position as at 31.3.2021 is a negative balance of £18.4 million.

The main driver for the negative Balance Sheet position is the pension liability. The pension liability as at 31.3.2021 has grown by £133.6 million to £426.7 million. The pension fund liability is determined by the external actuaries and the performance of The Royal Berkshire Pension Fund. The key contributing factor to the £133.6 million increase between 31.3.2020 and 31.3.2021 is a fall in bond rates between 31.3.2020 and 31.3.2021 (bond rates are used to discount to present value, a lower bond rate results in a higher value placed on the present value increasing the liability).

As the collecting authority the Council's Balance Sheet has been impacted through a substantial increase in the Collection Fund deficit between 31.3.2020 (£7.4 million) and 31.3.2021 (£23.1 million) as a result of extraordinary circumstances relating to the Covid pandemic. The financial downturn has caused collection rates to be substantially lower than those estimated, whilst the Government has introduced emergency rate reliefs for particular business sectors and compensation schemes for Councils. The collective Collection Fund deficit as at 31.3.2021 is broken down into Council Tax (deficit of £1.5 million) and Business Rates (deficit of £21.6 million). Compensatory reliefs totalling £20.8 million (Council tax £1 million and Business Rates £19.8 million) are held within usable reserves to mitigate the impact of the deficit in future years.



9. Total Resources

Council Assets

The Council's assets have grown by £47.8 million to £703.4 million as at 31.3.2021. Operational assets have increased in value over the period as a result of significant investment by the Council.

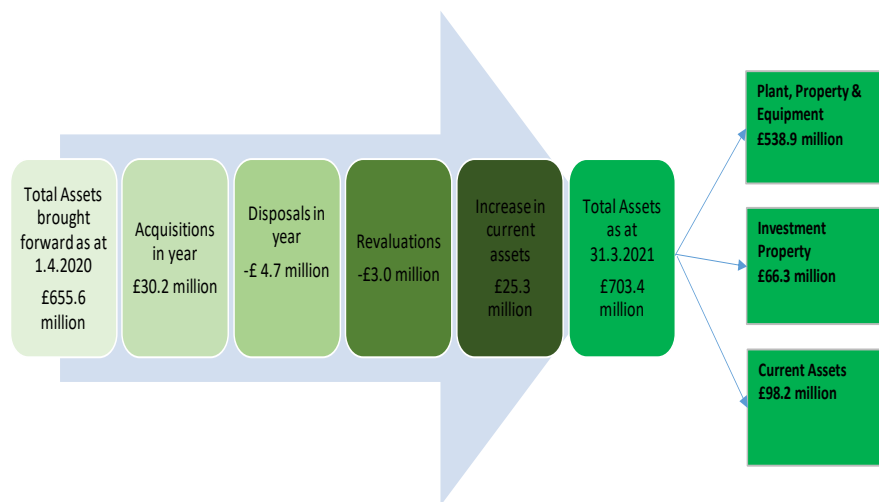
During the financial year £37 million was invested on a combination of operational assets owned by the Council and community based assets not included on the Council's Balance Sheet, through the Council's approved capital programme. Key projects undertaken include:

- Investing in the Council's corporate estate.
- Improved cycle paths, transport management systems, roads, bridges and footpaths. Including responding to the Active Travel agenda implemented by Central Government as a response to the Covid pandemic.

- Investment into education facilities including development of an additional primary school.
- Investment into green initiatives inclusive of solar photovoltaics.

The Council's investment property portfolio incurred a minor downward revaluation of £255k as a result of market uncertainty in response to the pandemic, as at 31.3.2021 the portfolio held a balance of £66.3 million. The Council incurred success in year by agreeing a tenant for one property which had remained vacant. The portfolio continues to provide additional net income of approximately £500k per annum to the Council to support delivery of core Council services.

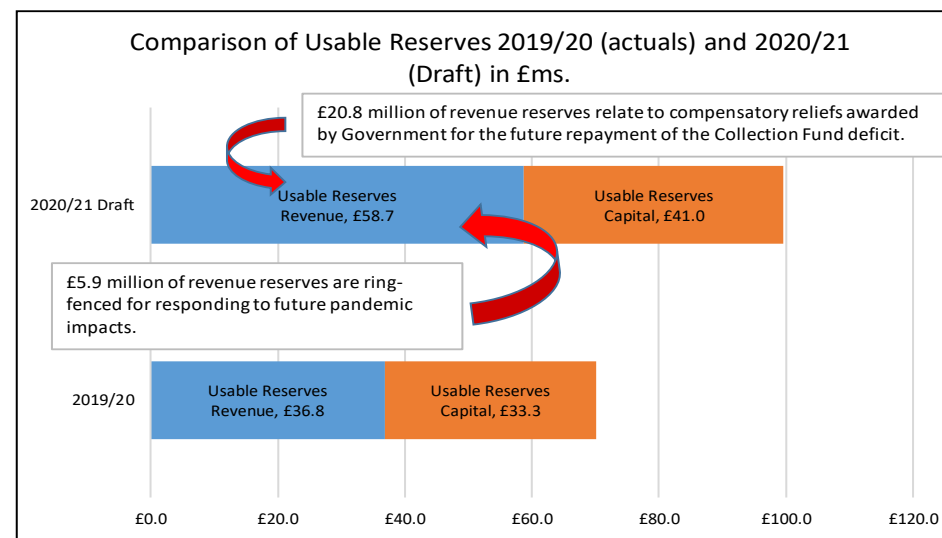
Assets as at 31.3.2021



Council Reserves

In respect of the overall reserves position, usable reserves have increased to £99.6 million as at 31.3.2021. The increased usable reserves balance is inclusive of £20.8 million of section 31 reliefs provided by Government to offset the Collection Fund deficit of £23.1 million held in unusable reserves. A further £5.9 million of funding is earmarked in a ring-fenced reserve to respond to impacts of the pandemic in future financial years.

Usable reserves are split between capital reserves of £40.9 million and revenue reserves of £58.7 million. Capital reserves are inclusive of £1 million of capital receipts which will be applied to transformational projects over the course of the approved Council Strategy under the Flexible Use of Capital Receipts Policy.



Unusable reserves have been impacted by the Pension Fund liability of £427.6 million, the Collection Fund Deficit of £23.1 million and the Dedicated Schools Grant deficit of £1.4 million which due to a change of accounting treatment in 2020/21 is now held within unusable reserves. Unusable reserves are amounts set aside that the Council is unable to use to fund expenditure because they are unrealised or notional, i.e. they are not cash backed and relate to accounting adjustments.

The advisory Section 151 General Fund level for financial year 2021/22 is 5 percent of the Council's approved net revenue budget of £137 million, as at 31.3.2021 the General Fund net of earmarked reserve provision is £12.1 million. Overall the Council's usable reserves remain robust to enable the Council to respond to planned and unseen future events.

10. Future Challenges, Medium Term Financial Planning (MTFS)

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 MTFS looks to a four year horizon; enough to provide some stability over an increasingly volatile financial future, but short term enough so that the first year represents the budget proposals for 2021-22, and for the next three years there are a variety of themes included which form the basis of the future savings areas. The MTFS also includes information on financing the capital strategy and how the scale and profile of this strategy has an impact on the overall financial position of the Council. The longer term outlook is dominated by three key factors; firstly, the macro-economic recovery from the Covid-19 pandemic and the impact that this will have on the UK economy; secondly the impact on public finances of future Spending Reviews, and thirdly, the long awaited fair funding review and proposed further business rates retention proposals for 2022-23 and beyond which should have a significant impact on the Council's finances and hopefully provide some longer term financial planning certainty.

The delivery of the MTFS cannot occur through the Council alone. A significant proportion, 50%, of the Council's budget is delivered through partners in the private, public and voluntary sectors. The Council's proposals for future financial stability will involve all of these partners, including where there are proposals to invest in infrastructure, deliver core services and transform how the Council delivers its services in the future.

The delivery of the strategy is also dependent on the Government and most importantly the MHCLG (Ministry of Housing, Communities and Local Government) review of 'fair funding' and further business rates retention.

This fair funding review was originally due to impact on the 2020-21 budget but is now most likely to come into effect from 2022-23. The Review has not been consulted upon yet, so figures included in the MTFS are indicative, but the working assumption in the MTFS is:

- No new additional monies are provided to the Council
- The notion of no 'negative RSG (Revenue Support Grant) is maintained and incorporated into the new fair funding model
- That there is a hard reset of business rates to a new baseline so growth above the existing baseline is not retained by WBC – at a cost of £4m p.a. – but a transitional funding scheme comes into place to mitigate this impact over a 3 year period

- New Homes Bonus is removed – no assumption has been made on its replacement
- Council Tax referendum levels remain at 2% and ASC Council Tax precept levels revert to 2% from 2023-24
- Inflation remains at 2% in the longer term

The MTFS over the period 2021/22 – 2024/25 includes saving assumptions of £16.8 million alongside investment provision of £5.7 million in support of Council Strategy priorities, post Covid pandemic responses and increases in capital financing to support the Capital Strategy. Over the period 2021/22 to 2023/24 the Council has approved a Capital Strategy and supporting programme of £122.9 million.

11. 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.

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.

The economic impacts from the Covid pandemic are anticipated to create ongoing 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.

Internal Audit Annual Assurance Report 2020/21

Date of Committee:	Governance and Ethics Committee on 26 July 2021
Portfolio Member:	Councillor Howard Woollaston
Date Portfolio Member agreed report:	23 June 2021
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	GE4029

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 and Monitoring Officer.			

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 Covid 19 pandemic has had an impact on the level of planned assurance work undertaken. However, from the assurance work undertaken and other sources of control/governance information e.g. the Finance and Governance Group officer group, the Audit Manager is able to conclude that reasonable assurance can be given that the governance, risk management and control framework remains robust.
- (b) In relation to the assurance opinions given there was one corporate audit deemed as very weak, and three corporate audits given a weak opinion. The proportion of limited assurance reports continues to be low compared with the number of completed audits during the year given a satisfactory opinion and above. All of the low assurance reports will be followed up to check on progress made on implementing agreed recommendations.

- (c) There were three Follow-up reviews completed during the year where we concluded unsatisfactory progress had been made.

4.5 Performance of the Audit Team

The team has a service performance indicator to achieve 80% of the audit plan. For 2020/21 the actual result was 81%. The team met the performance target although the outcome is lower than in previous years. The main reason for the reduction is a post being vacant for longer than had been planned for and reduced working hours due to Covid lockdowns and parental responsibilities.

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 Covid 19 pandemic has had an impact on the level of planned assurance work undertaken, due to specific Covid related advice and assurance work being required, together with audits being postponed where services were impacted by Covid and could not support the audit work. However, for the assurance work undertaken and other sources of control/governance information e.g. the Finance and Governance Group, the Audit Manager is still able to conclude that reasonable assurance can be given that the governance, risk management and control framework remains robust.
- 5.8 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 four 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.
- 5.9 In 2018/19 the responsibility for overseeing the risk management governance framework moved to Strategy and Governance. 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, a detailed audit review was undertaken during 2020/21, the conclusion of which was that the new framework was satisfactory/fit for purpose, although there were some areas for improvement identified.
- 5.10 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

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

Opinion Category	Definition
Very Well Controlled	Very strong control framework with only minor control weaknesses or low levels of non-compliance identified.
Well Controlled	Strong control framework with a small number of control/compliance issues identified.
Satisfactory	An adequate control framework is in place, a number of control weaknesses identified but not significant enough to cause concern.

Weak	There are a large number of control weaknesses and/or some significant control issues which are of concern.
Very Weak	The overall control framework has significant weaknesses and is not effective.

5.12 A summary of the Internal Audit assurance work completed during the year is detailed below together with the assurance opinion that was given:-

Corporate

Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
1	3	5	5	0

Schools

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

5.13 The first table includes three reports that are in the final stages of consultation, where the accuracy of the report content has been checked, so the audit opinion is not going to change.

5.14 The tables show that the majority of audit opinions were satisfactory or above. During the final quarter of the year there was one corporate audit given a very weak opinion, Grounds Maintenance Contract Management, there were known issues in this area which is why Internal Audit were asked to look at it, so unsurprisingly the control opinion came out as less than satisfactory. In previous quarterly updates there were three audits given a weak opinion, Digitalisation Agenda, Deprivation of Liberty Safeguards and Early Years Grant, with the key findings being reported. The findings relating to the recently completed Grounds Maintenance Audit are detailed in the following section. For the very weak and weak audits we will schedule a follow-up review to check on progress against the agreed recommendations.

5.15 Key Findings of the Very Weak Audit Opinion – Grounds Maintenance Contract Management

- (a) The contract required the contractor to implement a contract database, which would have allowed both parties to monitor performance of the contract, this

database was not implemented, and the service has yet to make a decision as to whether they will implement their own I.T. system.

- (b) Overall contract management processes are rather limited; there are no KPIs being reported on, management information covering compliance with the contract specification/remedial works is not being produced.
- (c) The service does not have an effective communication/meeting processes with the contractor resulting in a lack of strategic focus and robust contract management.

5.16 Internal Audit undertake a follow-up review in all cases where there is a 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
0	3

5.17 At the Governance and Ethics Committee meeting in November 2019, members requested a second stage Follow-Up to be carried out on the audits covering the Implementation of the Property Database and the Asset Management Strategy/ Plan. Unfortunately, in both cases the second stage Follow-up concluded that progress to implement the agreed recommendations was still unsatisfactory. When members were provided with the outcome at the April 2021 meeting, the relevant service managers attended to give an update. Managers were confident that progress would now be made as a key vacant post had been filled and additional resource brought in to help progress the recommendations.

5.18 The third unsatisfactory follow-up relates to an audit of S106 Agreements, although progress had been made and was heading in the right direction, there was insufficient progress to be able to give a satisfactory opinion. The key points identified as still requiring action are as follows:-

- (a) A governance group / body has been allocated specific responsibility for overseeing the Developer Contributions fund (Capital Strategy Group), however they are not being provided with regular reports in order to effectively manage the S106 contributions available.
- (b) Documenting the processes and procedures involved in the administration of Developer Contributions is work in progress.
- (c) A review is required of admin fees and when they apply in light of 2019 regulations, which we were informed have tightened the rules around fees that can be charged.

The relevant managers will attend committee in order to provide a further update on progress to date/further actions planned.

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

5.19 The last Plan progress update was reported to the Governance and Ethics Committee in April, attached to this report are three appendices listing the work undertaken up to the end of the financial year, with completed work at Appendix A, work in progress at Appendix B, and table C showing progress on the specific Anti-Fraud Work Plan.

Audit Team Resources and Performance

5.20 The team has a service performance indicator to achieve 80% of the audit plan. For 2020/21 the actual result was 81%. This is lower than the previous year’s achievement of 94%. This reduction in productive days is a result of a post being vacant for longer than had been planned for, and also staff working reduced hours whilst looking after dependents during the periods of Covid lockdowns.

5.21 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’).

5.22 The Audit Team currently consists of five staff; the Audit Manager, a Principal Auditor and three Senior Auditors. The Principal Auditor post was newly created in 2020/21 and has provided the additional capacity required in the team to help shorten the timeframes for progressing audits, and to lessen the impact of unplanned investigations/advisory work on the level of assurance work carried out.

Audit Plan Actual Coverage

5.23 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	662	372
Investigations (HR related/potential fraud etc.)	0	85

Audit Activity	Planned Time	Actual Time (up to allocated project time budgets)
Advisory reviews (planned and requested in year)	35	24
Covid-19 related work	0	75
Plan preparation and Monitoring (corporate and schools)	24	26
Adhoc advice requests (corporate and schools)	20	30
Follow-ups	20	24
Other (support for G&E, external professional liaison, general grant compliance work, fraud training)	39	47
Plan Contingency Days	40	Used on unplanned work
Total Days	840	683
(These are the totals that are used to calculate the productivity percentage i.e. the 81% referred to in 5.20)		

5.24 Notes to support the information in the table at point 5.23 above:-

- (a) The largest number of unplanned days was spent on investigations and Covid related audit work.
- (b) Members of the Audit Team have been heavily involved in carrying out Covid business grant fraud prevention checks which makes up a large proportion of the days spent on Covid related work. Central government mandated a range of assurance checks that should be undertaken for each phase of business grants,

some of which needed to be undertaken pre-payment so the team needed to meet this demand in a timely manner so that we did not delay payments. This work is continuing in 2021/22.

- (c) Unplanned advisory/investigatory work reduces the level of assurance work that can be undertaken in a year. The team undertook 56% of actual assurance work compared with planned, if the team had not spent time on unplanned investigation/Covid work then the days spent on planned assurance work would have been in the region of 80%.
- (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.

5.25 The Covid 19 pandemic has had an impact on the level of planned assurance work undertaken, due to specific Covid related advice and assurance work, together with audits being postponed where services were impacted by Covid and could not support the audit work. The Audit Manager has provided the Committee with updates during 2020/21 regarding Covid work and the impact on the audit plan, and will continue to do so for 2021/22.

5.26 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 (5 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 2 fraud investigation cases Internal Audit were involved in during the year. As previously reported to Committee one case related to a cheque fraud, the police were involved in the investigation but it did not result in a prosecution. The second case related to theft of cash, lack of evidence as to whether this was an internal or external issue meant this could not be progressed to a prosecution. In both cases the controls have been improved to prevent the situations from re-occurring. There was also a small number of minor investigations where there was potential for fraud which were not substantiated.
- (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 approximately £16k for 2020/21.

Proposals

5.27 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 2020/21. 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 during last quarter of 2020/21.

8.2 Appendix B – Audit Work in Progress as at 31st March 2021.

8.3 Appendix C – Fraud Plan

Background Papers

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

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Change History

Version	Date	Description	Change ID
1			
2			

1) COMPLETED AUDITS

Directorate/Dept/Service	Audit Title	Overall Opinion
Corporate Resources		
Strategy and Governance	Payroll	Well Controlled
Place		
Public Protection and Culture	Registration Service	Well Controlled
Environment	Grounds Maintenance Contract	Very Weak
People		
Education	The Winchcombe School	Well Controlled

NOTE

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

2) COMPLETED FOLLOW UPS

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Overall Opinion - Report</u>	<u>Opinion - Implementation progress</u>
Place/Resources			
Development and Planning/ Capital Programme Board	S106	Weak	Unsatisfactory

3) COMPLETED ADVISORY REVIEWS/OTHER WORK

Directorate/Dept/Service	Review Title

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1) CURRENT AUDITS

Corporate/Directorate/Service	Audit Title	Current Position of Work	Audit Plan Year
Corporate	National Fraud Initiative	Data submitted for the next national exercise	2020/21
Corporate/Strategy and Governance	Risk Management	Draft Report Issued	2020/21
Resources			
Finance and Property	Building Maintenance	Testing	2020/21
Strategy & Governance	Members Expenses	Testing	2020/21
People			
Education	i-College	Report Being Drafted	2020/21
Education	Mrs Bland's Primary	Report Being Drafted	2020/21
Education	Kennet Valley School	Report Being Drafted	2020/21
Education	St Nicolas Primary	Draft Report Issued	2020/21
Education	Brightwalton Primary	Draft Report Issued	2020/21
Adult Social Care	Shared Lives Placements	Background	2020/21
Children and Families	Turnaround Families Grant Claim work	Ongoing	2020/21
Children and Families	Foster Carer Payments	Testing	2020/21
Adult Social Care	Carers Assessments/Payments	Testing	2020/21
Place			
Environment	Concessionary Fares	Draft Report Issued	2020/21
Environment	Waste Management Contract	Testing	2020/21
Public Protection and Culture	Environmental Health Shared Service – Licensing	Draft Report Issued	2019/20
Development and Planning	Purchase and Utilisation of Council Properties	Testing	2019/20

2) CURRENT ADVISORY REVIEWS/OTHER WORK

Audit/Review Title	Current position of work
IR35 Advice re changes in regulations	Ongoing
Covid Grants – payments assurance work	Ongoing
COVID Business Grants –payment assurance work	Ongoing

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit title
Resources	
None	
People	
None	
Place	
None	

Anti-Fraud Work Plan**(Drawn together from entries in the Audit Plan for 2020/21)**

<u>Audit Name</u>	<u>Work Focus</u>	<u>Update Position (31/03/2021)</u>
Libraries income	Library site visits/income control processes	Final report issued. Some recommendations to improve controls, no significant control fraud risk identified.
NFI Investigation Work	Review of data matches to assess whether fraudulent	New exercise commenced October when we were required to submit Council data. Data matches now being investigated.
On-line Grant Applications	Use of on-line grant facilities to generate grants for the Council - ensure they are set up correctly (i.e. bank account details).	Not Covered
The People's Lottery	Payments received and prizes are appropriately accounted for.	Not Covered
Members Expenses	Claims re valid/fraudulent payments not being made.	Testing almost complete
Land Charges	Income is appropriately accounted for.	Not Covered
ASC Carers Assessments/Payments	Payments are valid, accurate and fully accounted for.	Testing stage
Shared Lives – Placements and Payments	Payments are valid, accurate and fully accounted for.	Commenced
Payment of Carers – Foster Carers	Payments are valid, accurate and fully accounted for.	Testing
Registration Service	Income is appropriately accounted for.	Completed

APPENDIX C

Concessionary Fares/Bus Passes	Passes are only issued to valid applicants, passes no longer required are promptly cancelled.	Testing
Common Housing Register	Allocation of accommodation - ensure it is in line with agreed prioritisation.	Postponed at Service's request.
*Council Tax Reduction Scheme	Reductions granted are valid, regularly reviewed, and investigated where applicable.	Postponed at Service's request

*A piece of work to be commissioned from an external fraud work provider.

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Item 9 – Exclusion of Press and Public

Verbal Item

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Agenda Item 10

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