

DRAFT

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

GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 26 JUNE 2023

Councillors Present: Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Owen Jeffery, David Marsh, Christopher Read, Louise Sturgess, Simon Carey and David Southgate

Also Present: Sarah Clarke (Service Director (Strategy and Governance)), Shannon Coleman-Slaughter (Chief Financial Accountant) and Joseph Holmes (Executive Director - Resources), Sadie Owen (Principal Democratic Services Officer)

Apologies for inability to attend the meeting: Councillor Jeremy Cottam and Councillor Iain Cottingham

Councillor(s) Absent:

PART I

1 Apologies

There were apologies from Councillors Jeremy Cottam and Iain Cottingham.

2 Minutes

The Minutes of the meetings held on 20 March 2023 and 25 May 2023 were approved as true and correct records and signed by the Chairman.

3 Declarations of Interest

There were no declarations of interest.

4 Forward Plan

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

RESOLVED that: the Governance Committee Forward Plan was noted.

5 External Audit Findings Report for Financial Statements 2020/21 (GE4414)

Shannon Coleman-Slaughter introduced the report (Agenda Item 5), which provided members an updated draft audit findings report provided by Grant Thornton in respect of their external review of the 2020/21 Financial Statements.

David Johnson acknowledged that the report was to update the audit of the 2020/21 financial statements, which was two financial years behind. It was reported that the audit of the 2021/22 financial statements was currently underway.

Councillor Dominic Boeck queried whether the £8.5m adjustment was something that Members should be concerned about. David Johnson corrected the figure as £7.1m and clarified that it was a net position and that the auditors were not concerned that the financial statement had been misstated. It did raise questions over the processes that were employed, but they were errors that were not endemic of a poor finance team. Joseph Holmes agreed, and reported that a number of the errors were due to simple

GOVERNANCE COMMITTEE - 26 JUNE 2023 - MINUTES

miscoding of the data, which did not create a distorted picture within the financial statements.

Simon Carey referred to page 47 of the Agenda Pack, and queried why the Council had been unable to identify which Section 106 contributions were short-term liabilities and which were long-term. David Johnson responded there was an expectation that the Council would maintain a central record of all Section 106 developer contributions along with time limits and deadlines. It was explained that the Council did not currently have such a system in place and consequently it was a record keeping issue.

Simon Carey queried what risk impact the Section 106 issues would have. David Johnson responded that it would simply be a case of being unable to classify and assess which contributions and assets were short or long term. Joseph Holmes reported that this had since been addressed and that annual reports were now provided to the Capital Strategy Group detailing the level and term of Section 106 contributions.

Simon Carey referred to page 28 of the Agenda Pack and queried how serious the variance of £1.6m in contributions at a pension fund level was. David Johnson responded that the findings were at a pension fund level and was not reflective of the level at West Berkshire. It was clarified that there was no further information as to how that amount was split across the member bodies, but that the amount was well below the materiality threshold.

Councillor David Southgate queried whether re-evaluation of the Useful Economic Lives assumptions would impact the forward Capital Programme. Joseph Holmes responded that there would not be a significant impact on either the Revenue Budget or Capital Programme as there was a statutory override.

Councillor Christopher Read referred to Appendix A and requested further information as to how the Fixed Asset Register would be assessed and reconciled in the future. Shannon Coleman-Slaughter responded that a project was being undertaken to ensure that the processes were robust and that the records within finance corresponded to those held by Property Services.

Councillor Erik Pattenden referred to Appendix B of the report and queried what had been done by the Council to evaluate and reconcile the difference between the figures in the statement of accounts and the output figures reported to members. Changes to contributions that could not be confirmed. Joseph Holmes agreed to revert with a response following the meeting.

RESOLVED that Governance Committee noted the report.

6 Annual Governance Statement 2022-23 (GE4321)

Joseph Holmes introduced the report (Agenda Item 6), which set out the Annual Governance Statement (AGS) for the Council for 2022-23.

Joseph Holmes commented that the Annual Governance Statement was typically approved by the Committee along with the Financial Statements, but was this year being reviewed later due to the Government having brought forward the deadline for submission to 31 May 2023.

Joseph Holmes explained that nationally and throughout Berkshire the 2020-21 financial statements audit was still not fully complete and the 2021-22 audit was only partially complete. It was noted that West Berkshire Council would be the first councils in Berkshire to complete 2021-22 statements. Joseph Holmes acknowledged that it was difficult for the Council to have to make future decisions without confirmed, signed accounts.

GOVERNANCE COMMITTEE - 26 JUNE 2023 - MINUTES

Joseph Holmes clarified that the Annual Governance Statement would need to be formally approved by the Governance Committee at the same time that the final, approved financial statements were approved.

Councillor Dominic Boeck referred to section 5.9 of the report and queried why the capacity to deliver projects was not being tracked in the forthcoming year. Joseph Holmes responded that it was not being tracked within the Annual Governance Statement because from a governance perspective the process was stronger and had been improved.

Councillor Boeck referred to section 5.10 of the report, and queried whether there was a timescale for the transformation programme. Joseph Holmes responded that a two year fixed term post had been approved at the last full Council meeting, and that an officer had commenced the role the previous week.

In response to a further query from Councillor Boeck, it was clarified that the report was for inclusion within the 2022/23 financial statements. Grant Thornton as external auditors would undertake a historical review, whilst the four issues highlighted within section 5.9 of the report would provide focus for Grant Thornton during the 2023/24 review.

RESOLVED that: Governance Committee noted the report.

7 Local Code of Governance (GE4348)

Joseph Holmes introduced the report (Agenda Item 7), which outlined a Code of Corporate Governance for approval.

Councillor Dominic Boeck proposed and Councillor Howard Woollaston seconded the report.

RESOLVED that:

- Governance Committee approved the Code of Corporate Governance.

8 Treasury Outturn Financial Year 2022/23 (EX4385)

Shannon Coleman-Slaughter introduced the report (Agenda Item 8), which provided an overview of the treasury management activity for 2022/23 as at 31 March 2023.

It was highlighted that the Council had not taken out any long-term borrowing in the past couple of years due to rising interest rates, but had instead focused on using internal resources to fund the Capital Programme and maintain liquidity. The outcome was that the Council's cash balances had decreased.

Councillor Howard Woollaston referred to section 5.9(b) of the report and queried why the buildings noted were not included within the investment property portfolio. Joseph Holmes clarified that the properties were operational assets rather than investment properties.

Councillor Owen Jeffery commented that the loss of £6.6m on the commercial property portfolio seemed a particularly large sum. Joseph Holmes explained that the loss would only materialise if the entire portfolio was sold at once.

Councillor Woollaston agreed that the reduction seemed high and queried whether the valuations had been challenged. Shannon Coleman-Slaughter responded that the valuations had been undertaken in December 2022, and a valuation had since taken place in March 2023, which would be reviewed shortly.

Councillor Christopher Read queried whether the Grazeley Farm value had dropped now that the development was not going ahead and commented that it appeared to be an overvaluation. Joseph Holmes agreed to review and respond following the meeting.

GOVERNANCE COMMITTEE - 26 JUNE 2023 - MINUTES

RESOLVED that: Governance Committee noted the report.

9 **Financial Statements 2022/23 Highlight Report and Going Concern Assessment (GE4386)**

Shannon Coleman-Slaughter introduced the report (Agenda Item 9), which informed members of the key highlights from the draft 2022/23 financial statements and summarised management's assessment of the Council's ability to function as a going concern.

Shannon Coleman-Slaughter highlighted that the Council remained a going concern, and that the assessment had been signed off by the Section 151 Officer. It was noted that the Council had made changes to its accruals practices to acknowledge the changes in inflation,

Councillor Howard Woollaston referred to section 4.4 of the report and queried why the pension liability reduction of £123m was so high. Shannon Coleman-Slaughter responded that the reduction was due to a change in assumptions and decisions made by the Royal Berkshire Pension Fund.

Councillor Christopher Read referred to section 4.5 of the report and commented that it was worrying to see that nine primary schools had reported deficit positions at the end of the year. Joseph Holmes reported that generally school balances had been increasing over past years, but acknowledged that the number of schools in deficit had increased in the past year. Joseph Holmes commented that some of the schools were reporting only very low levels of deficit, however those with larger sums had recovery plans and were receiving additional assistance to bring them out of deficit.

Councillor Owen Jeffery asked whether all of the schools in deficit were primary schools. Joseph Holmes responded that he would follow up, but was fairly sure that the majority were primary schools.

RESOLVED that: Governance Committee noted the report.

10 **Internal Audit Plan 2023-2026 (GE4347)**

Julie Gillhespey introduced the annual report (Agenda Item 10), which set out the proposed plan of Internal Audit for the forthcoming three years.

Councillor Christopher Read referred to Appendix C and queried how the Council was ensuring that it was not exposed to IR35. Julie Gillhespey commented that it was an external risk of non-compliance, but that work was being undertaken to provide training.

In response to a query from Councillor Read it was explained that there was Portfolio Holder involvement in the management of projects, however there was a governance review that was currently underway which would be implemented in September 2023, which revised the current practice and provided for Portfolio Holder input at key stages of the process.

Simon Carey referred to section 4.5 of the report and queried whether the number of planned audit days would increase following the successful recruitment of a new Audit Officer. Julie Gillhespey explained that recruitment had been successful and a new officer would commence in post the following week. It was reported that the figures had been a reasonable estimate and would be unlikely to change.

Simon Carey queried whether the 80% completion target could be extended to 100% following the recruitment. Julie Gillhespey explained that 80% was a reasonable target, and that 100% would not be achievable given the impact of external factors.

Councillor Dominic Boeck proposed and Councillor Read seconded the report.

GOVERNANCE COMMITTEE - 26 JUNE 2023 - MINUTES

RESOLVED that:

- Governance Committee approved the Proposed Audit Plan and Audit Charter.

11 Review/Update to the Anti-Fraud Policy and Related Policies (GE4410)

Julie Gillhespey introduced the report (Agenda Item 11), which provided updates and amendments to the Anti-Fraud and Corruption Policy and Procedure, Anti-Money Laundering Policy and Procedure and the Bribery Act policy and Procedure.

It was explained that the policies were reviewed and assessed every three years in line with the changes in legislation, and that there were only minor changes to each.

Councillor Owen Jeffery proposed and Councillor Howard Woollaston seconded the reports.

RESOLVED that:

- Governance Committee approved the content of the revised policies.

12 Exclusion of Press and Public

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

13 Risk Management Q4 2022/23 Report (GE4394)

(Paragraph 3 - information relating to financial business affairs of a particular person)

(Paragraph 5 - information relating to legal privilege)

(Paragraph 6 - information relating to proposed action to be taken to the Local Authority)

Catalin Bogos introduced an exempt report (Agenda Item 13), concerning the corporate risks as at the end of September 2023, and actions taken to mitigate those risks.

RESOLVED that:

- Governance Committee noted the report, including the actions taken to manage the existing 14 risks on the Corporate Risk Register, as a result of no new risks being escalated and three being de-escalated from the Corporate Register during the reporting period.

(The meeting commenced at 6.30 pm and closed at 7.40 pm)

CHAIRMAN

Date of Signature