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Governance Committee
Monday 29th January 2024 at 6.30 pm

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

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

Date of despatch of Agenda: Friday 19 January 2023

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

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

West Berkshire Council

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

Substitutes: Councillors Anne Budd, Dennis Benneyworth, Carolyne Culver, Paul Dick, Janine Lewis and Stephanie Steevenson

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Agenda

Part I

Part II

10 **Risk Management Q2 2023/24 Report (G4470)** 65 - 104

(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 (as at the end of September 2023) that need to be considered by Corporate Board and Operations Board and to outline the actions that were being taken to mitigate those risks. In particular, to note the risk about the *in year financial pressure as a result of inflation and increasing demand*, a financial risk rated with the highest score (16) as a result of the aggregation of financial risks from a number of services. To note that one new risk was escalated and there were no risks de-escalated from the Corporate Risk Register.

Sarah Clarke
Service Director: Strategy and Governance

Governance Committee – 29 January 2024

Item 1 – Apologies for absence

Verbal Item

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

GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 20 NOVEMBER 2023

Councillors Present: Erik Pattenden (Chairman), Dominic Boeck, Jeremy Cottam, Owen Jeffery, David Marsh, Christopher Read, Stephanie Steevenson (as a Substitute) and Louise Sturgess

Also Present: Simon Carey (Independent Person), and David Southgate (Parish Council Representative)

Officers Present: Joseph Holmes (Executive Director – Resources), Julie Gillhespey (Internal Audit Manager), Sadie Owen (Principal Democratic Services Officer), Vicky Phoenix (Principal Democratic Services Officer) and Nicola Thomas (Service Lead – Legal and Democratic)

Also in attendance: Sophia Brown (External Auditor-Grant Thornton)

Apologies for inability to attend the meeting: Councillor Howard Woollaston and Councillor Iain Cottingham

1 Minutes

Councillor Erik Pattenden paid tribute to Parish Councillor Bill Graham who had sadly passed away the previous week. Councillor Pattenden noted that Bill had been Shaw-Cum-Donnington Parish Chairman for eight years and had been a member of the Governance Committee since 2021, playing an active role in meetings, even in the preceding week. Councillor Pattenden described it as tragic news and offered condolences on behalf of the Committee to Bill's family and friends.

The Minutes of the meeting held on 25 September 2023 were approved as a true and correct record and signed by the Chairman.

2 Declarations of Interest

There were no declarations of interest received.

3 Forward Plan

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

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

4 Membership of the Constitution Review Task Group - Verbal Item

Nicola Thomas noted that it had been agreed at the previous meeting that the Constitution Review Task Group would be re-established and reported that the following membership nominations had been received:

Councillors Jeff Brooks, Justin Pemberton, Antony Amirtharaj, David Marsh and Ross Mackinnon.

Councillor Owen Jeffery proposed, and Councillor Jeremy Cottam seconded the membership of the task group.

RESOLVED that:

- Governance Committee approved the revised membership of the Constitution Review Task Group.

5 External audit letter - financial sustainability (G4464)

Joseph Holmes introduced a report (Agenda Item 6), which informed Members that the Council's external auditors, Grant Thornton had written to the Council about concerns relating to financial sustainability.

In response to a query from Councillor Jermey Cottam, Sophia Brown of Grant Thornton commented that the letter had been written directly after reviewing the Council's finances of Quarter One, 2023/24, and the significant deficit identified at that time. Sophia Brown noted that she was now tracking the deficit position and had received a Quarter Two report from Joseph Holmes that day which showed that it had almost halved.

Councillor Paul Dick queried whether the deficit had reduced due to planned or real savings. Sophia Brown commented that she had referred to the planned outturn for the end of the year. It was noted that there was still a risk to the Council as a deficit position would impact the Council's reserves.

Councillor Dominic Boeck requested clarification as to what a Capitalisation Directive entailed and the implications for the Council. Joseph Holmes explained that it was the process whereby a Council approached Government to request funding in the form of capital money, which if granted, could also be used for any revenue purpose. The money would then be paid back to the Government either similarly to a normal loan or through sale of capital receipts. It was clarified that the process could be used in order to avoid a section 114 report. Joseph Holmes explained that a Minister would write a letter that he 'was minded to' lend the Council a certain amount, DHLUC would then visit and review the Council and report back to the Minister and either recommend to allow the release of funds or not.

Councillor David Marsh commented that there was nothing within the report, which Members did not already know. Sophia Brown was encouraged by this noting that it was not the case in every local authority. Sophia Brown explained that as an external auditor it was not her job to predict financial behaviour, but to ensure that a balanced budget was being set. It was explained that the letter had been sent due to the extent of the deficit and the impact on the Council's reserves.

Councillor Erik Pattenden suggested that it would have been useful to have received the letter in July rather than September. Sophia Brown explained that the delay had been due to the timings of financial reporting, and Joseph Holmes clarified that the Quarter One report had only been published at the end of August.

Parish Councillor David Southgate queried the implication of the Council's reserves reducing from £7m to £3m. Joseph Holmes explained that he was obliged to write to Council annually recommending a minimum level of reserves. It was noted that it was a Council decision as to whether to take the advice or to decide on a level below that suggested by the s151 Officer. Joseph Holmes explained that CIPFA had historically suggested a reserve level of 5%, but that there was no set minimum requirement.

RESOLVED that: Governance Committee noted the letter.

6 Outcome of the External Assessment of Internal Audit (G4465)

Julie Gillhespey introduced a report (Agenda Item 7), which updated Members on the outcome of an external assessment of Internal Audit. It was reported that the outcome of the assessment was that the Council's Internal Audit team 'Fully Conformed' with the PSIAS requirements, which was the highest category of compliance.

Councillor Erik Pattenden congratulated Julie Gillhespey and her team for a successful external assessment.

RESOLVED that: Governance Committee noted the report.

(The meeting commenced at 6.30 pm and closed at 7.00 pm)

CHAIRMAN …………………………………………….

Date of Signature …………………………………………….

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Governance Committee –29 January 2024

Item 3 – Declarations of Interest

Verbal Item

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Provisional Governance Committee Forward Plan 29 January 2024 – 18 March 2024

18 March 2024						
1.		Review of CIPFA’s guidance for Audit Committees		Joseph Holmes		
2.	GT report	2021/22 and 2022/23 Value for Money External Audit Report		Shannon Coleman-Slaughter		
3.	G4493	Review of the Governance Committee	To review the Governance Committee against the CIPFA audit committee guidance as highlighted in the March 2023 report to the Governance committee.	Joseph Holmes		
4.		Internal Audit Update Report Quarter 3 2023/24		Julie Gillhespey		
5.		Risk Management Strategy		Catalin Bogos		
6.		Constitutional Update		Sarah Clarke		
7.		2022-2023 External Auditors Report		Joseph Holmes		
8.		2023/24 KPMG Audit Plan				
2024/25 Financial Year						
9.	G4486	Internal Audit Plan 2024-25		Julie Gillhespey		

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Agenda Item 5

Internal Audit Update Report – Quarter Two 2023/24

Committee considering report:	Governance Committee
Date of Committee:	29 January 2024
Portfolio Member:	Councillor Jeff Brooks
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	G4476

1 Purpose of the Report

1.1 To update the Committee on the status of Internal Audit work as at the end of quarter two 2023/24.

1.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.

1.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.

2 Recommendation

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

3 Implications and Impact Assessment

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

	mitigation. The aim of which is to help ensure that services and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.			
Property:	None			
Policy:	None			
	Positive	**Neutral**	**Negative**	**Commentary**
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		

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

4 Executive Summary

4.1 To update the Committee on the status of Internal Audit work as at the end of quarter two of 2023/24.

4.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter quarterly updates are required to be presented to Committee.

4.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.

4.4 There were no corporate audit reviews completed during the period which were given a less than satisfactory opinion. There was one school audit that was given a weak opinion. There were no unsatisfactory Follow-up reviews completed during the period.

4.5 There are no significant issues of concern identified through audit work during the period that need to be highlighted to senior officers/members.

3.6 During the quarter the Audit Team introduced a new approach to audit report opinions, the new categories together with descriptions are set out in section 4.1 below.

5 Supporting Information

Introduction/Background

5.1 Since the previous update report, the Audit Team has changed the approach to the audit report opinion categories. The previous approach used five internal control opinion categories, these have been replaced by four assurance categories, which we are RAG rating to highlight the report opinions. The new approach is in line with current recommended practice and is now used by many local authority internal audit functions, enhancing wider consistency, and understanding of audit reporting. The new categories and explanations are provided below:-

Opinion	Description
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Usually moderate-to-minor issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited, but are not a cause for concern.
Limited Assurance	There is a large number of moderate weaknesses and/or significant weaknesses or non-compliance issues identified which are of concern. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

5.2 Appendix A to this report sets out the audits that have been finalised this quarter. As the new report opinion categories cannot be directly mapped to the old ones, the following tables summarise the results for both methods of report opinions.

Audit Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial Systems					
Other Systems			1	2	
Schools		1	2		

Audit Type	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Key Financial Systems				
Other Systems			1	1
Schools				

5.3 For this reporting period there were no completed corporate audits given a less than satisfactory opinion.

5.4 There was one school audit given a weak opinion, this was due to the number of recommendations made to improve controls rather than there being significant gaps in the controls. The main area requiring improvement was in relation to Breakfast/After School Clubs and the recording/collection of income.

5.5 There was one completed Follow-up review, this was given a satisfactory progress rating.

5.6 Details of the audit work in progress and the stage reached is set out at Appendix B. This includes a small number of audits still in progress from last financial year. As would be expected this number has reduced from the previous reporting period, and all but one of these audits are now at the draft report stage and therefore almost complete. For context, audit work may take longer than planned for a number of reasons, we are very reliant on services providing us with the required information/managers responding to draft audit reports in a timely manner. Also, as a small team, we need to react to emerging changes in risk during the year, for example suspected fraud, requests for unplanned work as well as audit advice, this reprioritisation of work therefore results in delays in the planned work that has already commenced.

5.7 Progress made against the Anti-Fraud Work Plan is set out at Appendix C.

Proposals

Members note the outcome of audit work.

6 Other options considered

Not applicable, the report is for information only.

7 Conclusion

There were no corporate audits completed for the period which had a less than satisfactory opinion. One school report was given a weak opinion. There are no areas of concern which need to be highlighted to Committee.

8 Appendices

8.1 Appendix A - Completed Audit Work.

8.2 Appendix B - Current Audit Work.

8.3 Appendix C - Anti-Fraud Work Plan Update.

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	☒

Officer details:

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

Internal Audit Plan Update Report **Appendix A**
(End of September 2023)

1) COMPLETED AUDITS

Directorate/Dept/Service	Audit Title	Overall Opinion*
Corporate		
None		
Resources		
Commissioning	West Berkshire Lottery	N/A - Advisory
Strategy and Governance	Workforce Strategy	Satisfactory
Finance and Property	Medium Term Financial Strategy	Reasonable Assurance
People		
Communities and Wellbeing	Libraries Purchasing/Stock Control	Substantial Assurance
Adult Social Care	Purchase of Care - Homecare	Well Controlled
Education	The Castle School	Satisfactory
Education	Woolhampton Primary School	Satisfactory
Education	Brimpton Primary School	Weak
Place		
Environment	Home to School Transport (Service Provision)	Well Controlled

*** As per section 4.1 of the covering report, a new approach to audit report opinions was introduced during the quarter, this has resulted in a mix of old and new opinion categories in the table above.**

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

Directorate/ Service	Audit Title	Overall Opinion - Report	Opinion - Implementation progress
Resources			
None			

People			
Adult Social Care	Hungerford Resource Centre	Weak	Satisfactory
Place			
None			

3) COMPLETED ADVISORY REVIEWS/OTHER WORK

Directorate/Dept/ Service	**Review Title**
General Grants sign off work	Work completed on the Highways Capital Grants.

1) CURRENT AUDITS

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year *
Corporate			
Resources Directorate	Community Municipal Investment Bond	Draft Report Issued	2023/24
Resources			
Finance and Property	National Non-Domestic Rates	Testing	2023/24
Finance and Property	VAT	Background	2023/24
Finance and Property	Insurance	Background	2023/24
Strategy and Governance	Payroll	Background	2023/24
Strategy and Governance	Use of Social Media	Background	2023/24
ICT	I.T. Asset Security	Draft Report Issued	2023/24
Finance and Property	Commercial Rents	Draft Report Issued	2022/23
Commissioning	Contract Letting	Testing	2022/23
Finance and Property	Council Tax Hardship Fund	Background	2023/24
People			
Adult Social Care	Assessment of Need/Purchase of Care (MH/LD Clients)	Testing	2023/24
Communities and Wellbeing	Public Health Commissioning/Contract Management	Ready for Review	2023/24
Education	Family Hubs	Draft Report Issued	2023/24
Place			
Environment	Civil Contingencies	Background	2023/24
Environment	Fleet Management	Testing	2023/24
Environment	Environment Strategy/Delivery Plan	Draft Report Issued	2022/23**

Corporate/Directorate/ Service	**Audit Title**	**Current Position of Work**	**Audit Plan Year ***
Environment	Street Works/Traffic Regulation Orders	Draft Report Issued	2022/23

***** Work relating to last year – 3 audits at draft report stage, service feedback needed before we can complete these. One audit still at testing stage – main part of the audit put on hold as other audit work prioritised.

****** At the time of drafting this update report, this audit had been completed.

2) CURRENT ADVISORY REVIEWS/OTHER WORK

Audit/Review Title	**Current Position of Work**
Supporting Families Programme Grant Claims	Ongoing

3) CURRENT FOLLOW-UPS

Directorate/Service	**Audit Title**
Resources	
ICT	ICT Systems Security (access)
Strategy and Governance	Elections Financial Administration
Place	
None	
People	
None	

APPENDIX C

Anti-Fraud Work Plan

(Drawn together from entries in the Audit Plan for 2023/24

Audit Name	**Work Focus**	**Update Position (End of September 2023)**
National Fraud Initiative (NFI) Investigation Work	Review of data matches to assess whether fraudulent.	New exercise commenced in October. Matched data received January which is now being reviewed. (This is a large/time consuming exercise that is ongoing during the year.)
Mileage/Expenses Claims	Assess compliance with Council Policy/Procedures, and identify any issues with erroneous or fraudulent claims.	Planned for Quarter 4
West Berkshire Lottery	Check that the scheme is effectively managed in accordance with the contractual arrangements, in order to reduce risk of reputational damage and funds being misappropriated.	Completed
Contract letting - Other than Care Packages	Check for compliance with Contract Rules of Procedure/legislation. Check for risk of contracts being awarded inappropriately/potential for conflict of interest/personal gain.	Testing
Personal Budgets (Direct Payments/Use of payment cards) (Education Service)	Personal Budgets may be used inappropriately/fraudulent documentation could be provided for expenditure incurred.	Planned for Quarter 3
Council Tax Hardship Fund	Check that grant applications have been appropriately checked/vetted and that grants have been awarded accurately/appropriately.	Background
Development Control (Planning Applications)	Check that internal procedures meet key elements of Planning Application Legislation, and are sufficiently robust to reduce the risk of corruption/fraud in the planning application process. We will also carry out compliance checks to ensure applications are processed in accordance with the defined procedures.	Planned for Quarter 4

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Agenda Item 6

Financial Year 2023/24 Mid Term Treasury Report

Committee considering report:	Governance Committee
Date of Committee:	29 January 2024
Portfolio Member:	Councillor Iain Cottingham
Date Portfolio Member agreed/sent report:	21 November 2023
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	G4459

1 Purpose of the Report

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). One of the primary requirements of the Code is receipt by the full Council of a mid-year review report, measuring performance against the adopted annual Investment & Borrowing Strategy (I&B). This report satisfies the mid-year reporting requirement.

2 Recommendations

2.1 Members are asked to note the mid-term treasury position as detailed in this report. The Section 151 Officer is satisfied that treasury management practices in year have operated in accordance with the approved performance management criteria.

2.2 Members are asked to approve the proposal for an in year amended to the Council's approved Minimum Revenue Provision (MRP) Policy. The current policy is included in appendix C. Section 5.16 of this report details the proposal to move to applying MRP using the annuity methos and a weighted average life per financial year. The change in policy will generate a £3.2 million revenue saving in 2023/24.

3 Implications and Impact Assessment

Implication	**Commentary**
Financial:	The treasury function is responsible for the daily cash flow management of the Council and long-term external debt commissioning. In the current economic environment of high inflation and high Bank Rate, Gilts and PWLB, the Council has undertaken a strategy of internal borrowing and utilising short-term borrowing from other Local Authorities. As borrowing is

	linked to the capital programme and overall liquidity levels, the capital programme is being kept under regular review because of inflationary pressures, shortages of materials and labour. The Council's borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.			
Human Resource:	Not applicable			
Legal:	Not applicable			
Risk Management:	All investments are undertaken with a view to minimising the risk of financial loss. The Investment and Borrowing Strategy approved by the Council sets parameters to ensure this. Key treasury indicators are adopted as part of the annual strategy and compliance with these indicators is detailed in section 6 of this report.			
Property:	Not applicable			
Policy:	The Council is proposing to amend the existing MRP policy as part of this report. The amendment as detailed in section 5.16 to 5.27 will comply with current legislation and guidance.			
	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 treasury function supports the delivery of the Council Strategy through the financing of the Council's approved Capital Programme and monitoring of Council cash flows.
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	Joseph Holmes – Director of Resources and s151 Officer. Iain Cottingham – Portfolio Holder Treasury Management Group			

4 Executive Summary

4.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives. The parameters under which the treasury function operates for the current financial year is detailed in the I&B approved by Council in March 2023.

4.2 On 31 March 2023, the Council had a Capital Financing Requirement (CFR) of £279.9 million (i.e. the underlying need to borrow for capital purposes is measured by the CFR, while usable reserves and working capital are the underlying resources available for investment). The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. In keeping with this objective, whilst short-term interest rates remained much lower than long-term rates and temporary investments earning Bank Rate or lower, it has been considered to be more cost effective in the near term to use borrowed rolling temporary / short-term loans. At 30 September 2023 the Council held £183.9 million of long term loans and £2 million of short term loans, as part of its strategy for funding previous and current years' capital programmes. The Council's borrowing position is summarised in the table below.

Borowing position as at 30/09/2023	**31/03/2023 Balance £m**	**Net Movement £m**	**30/09/2023 Balance £m**
Public Works Loan Board	(186.3)	2.3	(183.9)
Community Bond	(0.6)	0.1	(0.5)
Local Authorities (Short-Term)	(3.0)	1.0	(2.0)
Total Borrowing	**(189.9)**	**3.4**	**(186.5)**

4.3 The capital programme is being kept under regular review because of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

4.4 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year to 30 September 2022, the Council's investment balances have ranged between £19.2 million and £9.9 million due to timing differences between income and expenditure. The investment position as at 30 September 2023 compared to 31 March 2022 is shown in the table below.

Investment Summary	**31/03/2023 Balance £m**	**Net Movement £m**	**30/09/2023 Balance £m**
Banks & Building Societies (Unsecured)	3.8	(2.2)	1.6
Government (Incl. Local Authorities)	1.0	(1.0)	0.0
Money Market Funds	14.4	(6.1)	8.3
Total Investments	**19.2**	**(9.3)**	**9.9**

4.5 The economic backdrop during the reporting period has been characterised by high inflationary pressures and high Bank Rate. As a result of the high Bank Rate, investment income is forecast to be £870k overachieved for the year. The Council's existing external borrowings are fixed rates and no new long-term borrowing has been undertaken in the six month period to September 2023. The Council has financed its capital programme during

2023/24 through undertaking short-term borrowing with other Local Authorities (i.e. loans with other Local Authorities for a duration of under one year). Treasury Management Group maintains and scrutinises a listing of other Local Authorities deemed to be appropriate from a risk perspective with which to undertake short-term borrowing activities.

4.6 In conclusion. the Section 151 Officer is satisfied that treasury management practices in year have operated in accordance with the approved performance management criteria.

5 Supporting Information

Economics and Interest Rates

5.2 The first half of 2023/24 saw interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25%. Short, medium and long-dated gilts remain elevated as inflation remained high resulting in increased borrowing costs for Local Authorities. A 0.5% decline in real GDP in July, mainly due to more strikes. CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7. Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high. A cooling in labour market conditions, but no evidence of an easing in wage growth.

5.3 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012. The latest forecast on 25th September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

5.4 The detailed economic overview supplied by Link is included in appendix A.

I& B Update

5.5 There are no policy changes to the I&B; the details in this report update the position in the light of the updated economic position and any budgetary changes already approved. The authorised limit and operational boundary – effectively the maximum levels of funding that the Council can draw down to finance capital expenditure and maintain liquidity levels (£10 million), remain in line with the approved I&B, as detailed in the table below.

Prudential Indicator 2023/24	Original £m	Revised Prudential Indicator £m
Authorised Limit	386.8	No change
Operational Boundary	370.6	No change
Capital Financing Requirement	301.3	298.7

5.6 The Council's capital financing requirement (CFR) has reduced marginally, the basis of the change in outlined in the Council's capital indicators detailed below. The CFR is the underlying external need to incur borrowing for a capital purpose.

The Council's Capital Position (Prudential Indicators)

5.7 The prudential indicator for capital expenditure, i.e. the revised estimates for capital expenditure and the changes since the capital programme was agreed in March 2023. The table below details the agreed capital programme, actual expenditure and commitments raised as at Quarter Two and the revised forecast outturn expenditure (revised estimate) as at Quarter Two budget monitoring. For project information and capital forecasting underpinning the data in the table below please see the Financial Year 2023/24 Quarter Two Capital Financing Performance Report.

Capital Expenditure by Service	2023/24 Original Estimate £m	Actual spend as at 30/09/2023 £m	2023/24 Revised Estimate £m
People Directorate			
Adult Social Care	3.2	0.7	2.6
Children & Family Services	0.0	0.0	0.0
Communities & Wellbeing	9.1	3.0	6.3
Education Services	12.0	4.3	8.7
Total - People	**24.3**	**8.0**	**17.6**
Place Directorate			
Development & Regulation	11.8	1.5	12.9
Environment	27.2	10.1	24.0
Total - Place	**39.0**	**11.6**	**36.9**
Resources Directorate			
Finance & Property	2.3	0.6	1.9
Governance & Strategy	0.4	0.1	1.4
ICT	3.4	2.0	7.0
Total - Resources	**6.1**	**2.7**	**10.3**
Grand Total	**69.4**	**22.3**	**64.8**

5.8 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
Total capital expenditure	**69.4**	**64.8**
Total external financing	**38.7**	**37.8**
Borrowing requirement	**30.7**	**27.0**

5.9 The level of expected external financing forecast to be applied to the capital programme at Quarter Two forecasting has reduced, due to the level of externally funded projects anticipated to be commenced and completed by outturn. Expected Council funding (i.e. borrowing) has reduced due to in year slowing of the capital programme.

5.10 Prudential Indicator – the Operational Boundary for External Debt

	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	301.3	298.7
CFR – housing	0.0	0.0
Total CFR	**301.3**	**298.7**
Net movement in CFR		**(2.6)**
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	182.0	182.0
Other long-term liabilities	9.8	9.8
Total debt (year end position)	191.8	191.8

5.11 In respect of the above table other liabilities refers to Private Finance Initiatives (PFI) and other finance lease liabilities. The figure quoted refers purely to the waste PFI, the Council has yet to adopt IFRS 16 (Leases) and hence no other leases are quoted in the above figures. The overall forecast CFR has reduced due to the forecast reduction in planned financed capital expenditure.

Limits to Borrowing Activity

5.12 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years.

	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
Borrowing	182.0	182.0
Other long-term liabilities	9.8	9.8
Total debt	**191.8**	**191.8**
CFR - year end position	**301.3**	**298.7**

5.13 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2023/24 Original Indicator £m	Current Position £m	2023/24 Revised Indicator £m
Borrowing	373.6	373.6	373.6
Other long-term liabilities	13.2	13.2	13.2
Total	**386.8**	**386.8**	**386.8**

Actual Borrowing as at 30.9.2023

5.14 The revised CFR for 2023/24 is forecast at £298.7 million. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. In keeping with these objectives no new borrowing was undertaken. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. At 30 September 2023 the Council held £186.5 million of loans, a decrease of £3.4 million from 31 March 2023 due to annuity payments made in the period. Outstanding loans on 30 September are summarised in the table below.

Borowing position as at 30/09/2023	31/03/2023 Balance £m	Net Movement £m	30/09/2023 Balance £m
Public Works Loan Board	(186.3)	2.3	(183.9)
Community Bond	(0.6)	0.1	(0.5)
Local Authorities (Short-Term)	(3.0)	1.0	(2.0)
Total Borrowing	**(189.9)**	**3.4**	**(186.5)**

5.15 Further annuity payments and repayments of short-term borrowing are forecast to bring the Council in line with the borrowing limits set as part of the adopted I&B. It is anticipated that further borrowing will be undertaken during this financial year, however, the treasury focus has been on utilising short-term financing (other local authorities) to minimise interest rate risk from currently high PWLB rates. This strategy has allowed the Council to reduce overall debt by repaying and not renewing external debt. However, this policy will require ongoing monitoring depending on gilt levels and PWLB rates.

Treasury Management Activity as at 30.9.2023

5.16 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year to date, the Council's investment balances ranged between £19.2 million and £9.9 million due to timing differences between income and expenditure, as detailed in the table below.

	31/03/2023 Balance £m	Net Movement £m	30/09/2023 Balance £m	30/09/2023 Income Return %
Banks & Building Societies (Unsecured)	3.8	(2.2)	1.6	3.40
Government (Incl. Local Authorities)	1.0	(1.0)	0.0	4.60
Money Market Funds	14.4	(6.1)	8.3	4.64
Total Investments	**19.2**	**(9.3)**	**9.9**	**4.45**

5.17 Both the CIPFA TM Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Non-Treasury Investments

5.18 The definition of investments in the CIPFA TM Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Investment Guidance issued by the Department for Levelling Up, Housing and Communities, in which the definition of investments is further broadened to also include all such assets held partially for financial return. At the 31 March 2023 the Council held £65.4 million of such investments in directly owned property categorised as follows:

5.19 (a) Directly owned property (commercial property) £52.3 million. This is property that the Council has borrowed specifically to fund the purchase.

5.20 (b) Directly owned property (investment property) £13.1 million. This is property that the Council holds as an investment property but the purchase has not been funding by borrowing. In most cases the property has been inherited from Berkshire County Council or Newbury District Council upon the formation of West Berkshire Council in 1998.

5.21 During the current financial year a review has been undertaken of the commercial property portfolio. A revised strategy recommending disposal of the portfolio over the Medum Term Financial Strategy has been made to members independently of this mid-term treasury report. Details of the valuations of properties held (commercial and investment), as at 31.3.2023 are included in appendix B.

Proposals

5.22 Local Authorities are required by statute to make a charge to their revenue account to provide for the repayment of debt resulting from capital expenditure, known as Minimum Revenue Provision ("MRP"). The Authority is required to determine a level of MRP it considers to be prudent, whilst having regard to MRP Guidance. The Guidance provides suggested methods for the calculation of MRP; however, the guidance and legislation do not define what is prudent. It is for each Authority to determine a prudent repayment based on its own individual circumstances, considering the medium and long-term financial plans, current budgetary pressures, future capital expenditure plans and funding needs.

5.23 In conjunction with the Council's external treasury advisors (Link Group), a review of the Council's current MRP policy and practices has been undertaken. It is therefore proposed that the existing policy is amended. Current MRP guidance sets out the following four options below:

Option 1: Regulatory Method	MRP to be based on the same formula used in the previous regulations (Regulation 28), 4% of the adjusted CFR (i.e., adjusted for Adjustment A, the HRA CFR or any other adjustments from statutory instruments to the 2003 regulations.
Option 2: CFR Method	A simplified version of Option 1, which provides for MRP to be calculated solely on the non-housing element of the CFR without the inclusion of "Adjustment A".
Option 3:	MRP is aligned to the estimated life of the asset for which the underlying need to borrow is undertaken. The charge can be applied either on a straight-line basis or by using the annuity method. The Guidance states only that such provision should be made "over a period bearing some relation to that over which the asset continues to provide a service."
Option 4:	more complex version of option 3. MRP is matched to the provision for depreciation, or appropriate proportion thereof, for the associated asset based on standard accounting practice. It therefore takes in consideration the residual value of an asset as well as any revaluations and impairments.

5.24 Currently the Council operates option 3, the asset life method. Annual MRP is currently budgeted at approximately £8 million. MRP is a revenue charge relating to debt financed capital expenditure. It is proposed that the Council's MRP policy for 2023/24 is amended. The Council will continue to apply the current annuity method (option 3), but to apply an average asset life for each years borrowing and apply the annuity calculation to the total borrowing balance as at 31.3.2023 as opposed to on an individual asset/project basis. The amendment will generate revenue savings in the current financial year of £3.2 million.

5.25 In May 2022, the government introduced the Levelling Up and Regeneration Bill ("LUR Bill"), which includes new provisions with respect to council borrowing and investing. A local authority will come into scope of the new powers where a 'trigger point' is breached with respect to one of the following metrics:

a) the total of a local authority's debt (including credit arrangements) as compared to the financial resources at the disposal of the authority.

b) the proportion of the total of a local authority's capital assets which is investments made, or held, wholly or mainly in order to generate financial return.

c) the proportion of the total of a local authority's debt (including credit arrangements) in relation to which the counterparty is not central government or a local authority.

d) the amount of minimum revenue provision charged by a local authority to a revenue account for a financial year.

e) any other metric specified by regulations made by the Secretary of State.

5.26 The DLUHC has consulted with stakeholder with respect to the calculations of the matrix and determination of the relevant trigger points. The consultation closed on the 21st of September 2023. Matric (d) above seeks to address the governments concern with Council's under charging MRP. Although specific trigger points were not included within the consultation, documents circulated by DHLUC gave a policy guided threshold of 2%, potentially lowered to 1% (i.e. MRP paid as a percentage of CFR). The proposed amended MRP approach would sit the Council comfortably around the 2% limit, benchmarking indicates that when applying the amended MRP the Council would sit at 89^{th} out of the 132 upper tier authorities (with one being the highest risk), risk ranking.

5.27 The Council's current MRP policy is included in appendix C.

6 Conclusion

6.1 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in the table below:

Total Council Debt Costs	Actual Interest Cost 01/04/23-30/09/23 £'000	Forecast Interest Cost 01/04/23-31/03/24 £'000	Budgeted Interest Cost 01/04/23-31/03/24 £'000	(Over)/Under £'000	Actual Interest Rate @ 30/09/2023 %
Short term borrowing	(50)	(405)	(9)	(396)	5.75
Public Works Loan Board	(3,126)	(7,185)	(6,825)	(360)	3.36
Community Bond	(4)	(7)	0	(7)	1.20
Total Borrowing	**(3,179)**	**(7,597)**	**(6,834)**	**(763)**	**3.38**
PFI Debt	(271)	(651)	(731)	79	6.10
Total Debt	**(3,451)**	**(8,248)**	**(7,564)**	**(684)**	

Total Council Investment income	Actual Interest Received 01/04/23-30/09/23 £'000	Forecast Interest Income 01/04/23-31/03/24 £'000	Budgeted Interest Income 01/04/23-31/03/24 £'000	Over/(Under) £'000	Actual Interest Rate YTD %
Short-Term Investments	282	405	503	(98)	4.60
Cash and Cash Equivalents	378	539	5	534	4.34
Total Treasury Investments	**661**	**944**	**508**	**436**	**4.45**

6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators. Performance against indicators detailed below:

Authorised Limit and Operational Boundary:

Authorised Limit & Operational Boundary for Debt	H2 Maximum £m	30/09/2023 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied? Yes/No
Borrowing	(189.9)	(186.5)	(359.6)	(373.6)	Yes
PFI and Finance Leases	(10.7)	(10.2)	(11.0)	(13.2)	Yes
Total Debt	**(200.6)**	**(196.7)**	**(370.6)**	**(386.8)**	**Yes**

Maturity Structure of Borrowing:

Maturity structure of borrowing	30/09/23 Actual	Upper Limit	Lower Limit	Complied?
Under 12 Months	2.62%	30%	0%	Yes
12 Months and within 24 Months	2.51%	30%	0%	Yes
24 Months and within 5 Years	6.99%	30%	0%	Yes
5 Years and within 10 Years	14.86%	30%	0%	Yes
10 Years and within 15 Years	15.12%	30%	0%	Yes
15 Years and within 20 Years	6.96%	30%	0%	Yes
20 Years and within 25 Years	7.34%	30%	0%	Yes
25 Years and within 30 Years	4.08%	30%	0%	Yes
30 Years and within 35 Years	3.73%	30%	0%	Yes
35 Years and within 40 Years	1.12%	30%	0%	Yes
40 Years and within 45 Years	21.54%	30%	0%	Yes
45 Years and within 50 Years	13.15%	35%	0%	Yes

Individual Counter-party Limits

Counterparty Limits	H2 Maximum Invested £m	30/09/2023 Actual Invested £m	2023/24 Individual Counterparty Limit £m	Complied? Yes/No
Debt Management Office (DMO)	22.0	0.0	Unlimited	Yes
UK Local Authorities (incuding Police, Fire Authorities and similar bodies)	0.0	0.0	8.0	Yes - Individual Limit per counterparty has not been exceeded
UK Building Societies (ranked 1-11 by asset size)	0.0	0.0	8.0	Yes
UK Building Societies (ranked 12-21 by asset size)	0.0	0.0	6.5	Yes
UK Building Societies (ranked 22-25 by asset size)	0.0	0.0	5.0	Yes
UK Banks and other financial institutions (A- or higher)	7.0	1.6	8.0	Yes
Other non-local authority UK public sector body	0.0	0.0	8.0	Yes
Registered Providers, Charities	0.0	0.0	2.5	Yes
UK based money market funds rated AAAmf	21.9	8.3	8.0	Yes - Individual Limit per counterparty has not been exceeded
Council owned companies and joint-ventures	0.0	0.0	5.0	Yes

7 Appendices

7.1 Appendix A – Link Group - Economic Summary

7.2 Appendix B – 31.3.2023 Valuations of commercial and investment properties

7.3 Appendix C – 2023/24 Approved Minimum Revenue Provision Policy

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Subject to Call-In:

Yes: ☐ No: X

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

Delays in implementation could have serious financial implications for the Council ☐

Delays in implementation could compromise the Council’s position ☐

Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months ☐

Item is Urgent Key Decision	☐
Report is to note only	X

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Appendix A

Link Group: Economic Summary

Economics Update

- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
  - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from

1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).
- The pound weakened from its cycle high of $1.30 in the middle of July to $1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

Appendix B

31.3.2023 Valuations of Commercial and Investment Properties

Directly owned property (commercial property)

Name and address of property	Property type	2022/23 valuation £'000
Dudley Port Petrol Filling Station, Tipton	Petrol Filling Station	4,155
79 Bath Road, Chippenham	Retail Warehouse	9,250
Lloyds Bank, 104 Terminus Road, Eastbourne	Retail	1,675
Aldi/Iceland, Cleveland Gate Retail Park, Gainsborough	Retail Warehouse	5,825
303 High Street and 2 Waterside South, Lincoln	Retail	2,900
3&4 The Sector, Newbury Business Park	Office	14,950
Sainsbury's, High Street, North Allerton	Retail	6,835
Ruddington Fields Business Park, Mere Way, Nottingham	Office	6,700
Valuation total per draft 2022/23 Statement of Accounts		**52,290**

APPENDIX D

Directly owned property (investment property)

Name and address of property	Property type	2022/23 valuation £'000
The Stone Building, The Wharf, Newbury	Café	25
Pelican Lane Creche, Pelican Lane	Children's Nursery	0
Rainbow Nursery, Priory Road, Hungerford	Children's Nursery	35
Clappers Farm/Beech Hill Farm, Grazely	Tenanted Smallholding	1,750
Bloomfield Hatch Farm, Grazely	Tenanted Smallholding	1,000
Shaw Social Club, Almond Avenue, Shaw	Community Centre	70
Swings n Smiles, Lower Way, Thatcham	Children's Day Centre	375
Units 1 to 7, Kennet Enterprise Centre, Hungerford	Industrial	520
London Road Industrial Estate, Newbury	Industrial	9,350
Valuation total per draft 2022/23 Statement of Accounts		**13,125**

Appendix C

2023/24 Approved Minimum Revenue Provision Policy

Annual Minimum Revenue Provision Statement 2023/24

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in February 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 1st April 2008 MRP will be determined by charging the expenditure over a 50-year asset life from 2008/09 as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate in 2007/08.
- For capital expenditure incurred after 31st March 2008, including PFI assets, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the capital expenditure is incurred. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by finance leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- In April 2022 CIPFA announced a deferral of the implementation of the IFRS16 Leases accounting standard until 1 April 2024. Accordingly, the Council will not now apply the provisions of this standard prior to the 2024/25 financial year. As part of the 2022/23 MRP policy, Council had previously agreed that where former operating leases are to be brought onto the balance sheet upon eventual adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

- Where the Council receives a capital receipt upon disposal of an asset previously acquired through borrowing, the Council may apply the receipt arising in year to offset the charge to revenue (either in full or in part) which would otherwise apply, in respect of the element of the Council's aggregate Capital Financing Requirement which pertained to the disposal. Members are asked to approve use of this policy change to allow use from and including the 2022/23 financial year.

Capital expenditure incurred during 2023/24 will not be subject to a MRP charge prior to 2023/24.

Based on the Council's latest estimate of its capital financing requirement (CFR) on 31st March 2023, the budget for MRP has been set as follows:

Replacement of Prior Years' Debt Finance	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
	£000s	£000s	£000s	£000s	£000s	£000s
Minimum revenue provision (MRP)	£7,286	£8,008	£8,317	£9,305	£10,476	£10,701
Capital receipts	£0	£0	£0	£0	£0	£0
TOTAL	£7,286	£8,008	£8,317	£9,305	£10,476	£10,701

Replacement of Prior Years' Debt Finance	2027/28 budget	2028/29 budget	2029/30 budget	2030/31 budget	2031/32 budget	2032/33 budget
	£000s	£000s	£000s	£000s	£000s	£000s
Minimum revenue provision (MRP)	£10,815	£11,620	£11,981	£11,800	£12,265	£12,746
Capital receipts	£0	£0	£0	£0	£0	£0
TOTAL	£10,815	£11,620	£11,981	£11,800	£12,265	£12,746

Risk Management Q2 2023/24 Report

Committee considering report:	Governance Committee
Date of Committee:	29 January 2024
Portfolio Member:	Councillor Jeff Brooks
Date Portfolio Member agreed report:	15 January 2024
Report Author:	Catalin Bogos – Performance, Research and Consultation Manager
Forward Plan Ref:	G4470

1 Purpose of the Report

1.1 To highlight the corporate risks (as at the end of September 2023) that need to be considered by Corporate Board and Operations Board and to outline the actions that were being taken to mitigate those risks. In particular, to note a financial risk rated with the highest score (16) as a result of the aggregation of financial risks from a number of services. To note that one new risk was escalated and there were no risks de-escalated from the Corporate Risk Register. Full details regarding the Corporate Risks are provided in Appendix C CRR Heath Map together with the method used to score risks for the Council which is included in Appendix D.

2 Recommendation

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

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None directly, although the Corporate Risk Register at **Appendix D** highlights the source of a number of pressures.
Human Resource:	None directly, although the Corporate Risk Register at Appendix D highlights the source of a number of potential issues.

Legal:	None directly, although the Corporate Risk Register at Appendix D highlights the source of a number of potential issues.			
Risk Management:	The report outlines the key risks that Corporate Board are monitoring / managing at present.			
Property:	None directly, although the Corporate Risk Register at Appendix D highlights the source of a number of potential issues.			
Policy:	There are no policy implications associated with this report.			
	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			Risk management activities support the delivery of the objectives relevant to the Council Strategy priorities and other business as usual areas.
Core Business:				n/a
Data Impact:		x		
Consultation and Engagement:	The report is based on the updated Service Risk Registers provided by Heads of Service/Service Directors. The updating of the Service Risk Registers includes a requirement that changes are discussed at the relevant Directorate Management Team meetings and approved by relevant Portfolio Holder. Corporate Management Team receives a copy of this report.			

4 Executive Summary

4.1 This report summarises a range of information relating to the Corporate Risk Register (CRR) and analyses any developments and emerging risks. It updates Corporate Board, Operations Board and the Governance Committee on key issues and actions that they should be aware of. Individual support and training had been provided for new/interim managers to update and submit their risk registers.

4.2 The key risks on the Corporate Risk Register relate to regulatory changes nationally, more specific impacts of Covid-19, international context (conflict in Ukraine, cyber attacks and raising inflation), plus a number of other local risks.

4.3 As the Council has approved a new Council Strategy for 2023-2027, and as risks are defined in relation to agreed objectives, there has been only limited change in risk exposure (as the new objectives have been set to be realistic considering the evidence base and the stakeholders' engagement). Only one new high risk (rated 12) was escalated by one of the services this quarter.

4.4 For five of the risks (some Financial risks and some Personal / Staff / Customer type risks) there was limited mitigation action available by the end of the quarter to be able to reduce the gross rating (e.g. Gross and current rating are the same). However, the services have set targets to reduce all five risks by implementing controls in the future.

4.5 Mitigation actions were put in place and reduced risks' likelihood and/or impacts from gross to actual (as at the end of September 2023) rating for the majority of the risks. Furthermore, mitigation actions have prevented an increase of the 'Current' risk ratings between Q1 and Q2 for all corporate risks.

4.6 Focusing on the Corporate Risk Register, the updates are provided on risks grouped in the following categories:

i. At the end of the quarter, there were 16 risks on the CRR for **Corporate Board to actively manage, review or monitor** (figures in brackets refer to risk ID Number):

a. Top risk / <u>current</u> (as at September 2023) risk severity:

- There was one risk rated the maximum score of 16: this is a financial risk escalated last year. This is an overarching risk reporting cumulatively Financial risks in several services.

b. Despite mitigation actions already implemented, there were **eight risks (compared to seven in the previous quarter) with a current (September 23) rating of 12** *(see Appendix C).*

c. None of the risks, previously on the CRR, have **increased the 'current risk rating' (as at end of September 23)** from previous quarter to the end of Q2.

d. However, 15 risks had **maintained the previous rating**, which would suggest that mitigation actions were being progressed to prevent it to increase.

e. None of the risks had **reduced the 'current' (September 23) rating** from previous quarter.

f. **Risk exposure** - The number of risks on the CRR had increased to 16 during Q2 (compared to 15 at Q1).

ii. There was one **new risk escalated** to the CRR.

iii. There were **no risks proposed for de-escalation** from the CRR.

5 Supporting Information

Introduction

5.1 This is the quarter 2 (Q2) assurance report for 2023/24 that provides Corporate Board (CB), Operations Board (OB) and Governance Committee with an overview of new risks (if any) and provides an update on the previously reported strategic risks, including if there are any proposed for de-escalation to service or directorate risk registers.

5.2 The Corporate Risk Register (CRR) available from Appendix C is designed to summarise all major risks escalated by Directors and Heads of Service for action or active monitoring at corporate level. Starting in Q3 last year, the CRR is reported online for officers as part of the integrated Risk, Performance and Project management system InPhase.

5.3 The method used to score risks, including with reference to the risk appetite for the Council, is detailed as part of the Risk Management Strategy 2021 – 2024 (available from https://www.westberks.gov.uk/policies#Corporate-wide%20strategies) (see also an extract at Appendix D).

Background

5.4 Whilst continuing to manage the response to new emerging risks, all services have provided updated service risk registers.

Demand and Inflation budget pressures

5.5 At quarter 2, there continued to be significant impacts from the impact of inflation and increase in quantity of demand or complexity of demand on several services. The Council continues to monitor the situation and is focusing on implementing stronger controls and mitigation actions.

Risks on the Corporate Risk Register

5.6 The main changes to the CRR are illustrated in the following table. The risks are ranked based on the *current* (Q2 September 2023) risk score. See Appendix C for further details.

No. (New / Remove)	Risk Type	Current SCORE			Target Score
		Change Q1 – Q2	as at Q1	as at Q2	
1.	Financial	↔	16	16	12
2.	Assets (Physical & Information)	↔	12	12	6
3.	Personal / Staff / Customer	↔	12	12	4
4.	Reputational	↔	12	12	4
5.	Reputational	↔	12	12	9
6.	Financial	↔	12	12	6
7.	Reputational	↔	12	12	6
8.	Financial	↔	12	12	9
9. new	Reputational	new	n/a	12	8
10.	Financial	↔	9	9	9
11.	Reputational	↔	9	9	9
12.	Reputational	↔	9	9	6
13.	Financial	↔	8	8	4

No. (New / Remove)	Risk Type	Current SCORE			Target Score
		Change Q1 – Q2	as at Q1	as at Q2	
14.	Reputational	↔	**9**	**8**	**8**
15.	Personal / Staff / Customer	↔	**6**	**6**	**4**
16.	Financial	↔	**6**	**6**	**6**

Analysis – the number of risks on the CRR, risks escalated and de-escalated

5.7 The number of risks on the Corporate Risk Register, new risks escalated and risks de-escalated each quarter are highlighted in the following table:

	2022/23			**2023/24**			
	Q2	**Q2**	**Q1**	**Q2**	**Q2**	**Q3**	**Q1**
Total Number of Risks, including:	18	17	14	15	16		
New	1	1	0	4	1		
To de-escalate	0	2	3	3	0		

5.8 At the end of Q2, there was one 'new entry' escalated from Directorate/Service/Department Risk Registers which was a Reputational type risk *(9)* (see paragraph 5.6).

5.9 There were no risks proposed to be de-escalated from the CRR:

No. (Remove)	Risk	Current SCORE			Target Score	Comments
		Change Q1 – Q2	as at Q1	as at Q2		
Remove A.	None					

Analysis – risk severity

5.10 A Financial risk, impacting a number of services and the Council overall, remains rated with the highest risk rating of 16 (maximum financial impact and maximum likelihood). Further actions are being planned to increase the controls on expenditure.

5.11 In terms of change in actual risk severity over the last two quarters, based on Current (as at the end of the quarter) Rating (See Appendix C):

(1) Between Q1 and Q2 the process to mitigate likelihood and impact resulted in preventing the increase in risks' rating, rather than reducing rating, for all 15 risks on the Corporate Risk Register. None of the risks that were on the Register at Q1 have reduced the risk rating and there were no risks proposed for de-escalation.

(2) Nine risks (compared to eight risks at the end of the previous quarter) were tolerated at a high rating of 12 or above. Four of these risks were added on the register during quarter 1 and one during Q2. This would suggest that active control measures are preventing an increase of the assessed likelihood and/or impact for the risks already on the CRR, but a new high risk has emerged during the quarter.

5.12 In terms of the Gross, Current and Target rating of the risks on the CRR at the end of Q2:

(1) Mitigation actions already in place had reduced the assessed Gross rating to Current (September 2023) rating for 11 of the 16 risks.

(2) Further mitigation actions are planned to further reduce the exposure from the Current (September 2023) rating to a lower Target rating for 12 of the 16 risks.

(3) This would suggest that, where possible, mitigation actions had been put in place and were effective in reducing the assessed rating (from Gross to Current rating) for most of the risks and to ensure the rating was not increasing for the majority of the remaining ones. However, there were some areas where it was not possible to implement quickly such mitigation measures and to reduce the level of risk from Gross to Current.

(4) Further actions were possible and already planned to further reduce risk exposure.

Analysis – horizon scanning

5.13 Regional Risk Register - At regional level, the Community Risk Register for Thames Valley includes a number of risks identified in October 2016. Directors and Heads of Service have been reminded about considering this in the local risk assessment process. The register can be accessed from this link: http://www.thamesvalleylrf.org.uk/_assets/risk%20register/tvlrf%20risk%20register%20oct%202016.pdf

5.14 **National Risk Register** - At national level, HM Government published an updated version of the National Risk Register (August 2023 edition). Directors and Heads of Service will be asked to consider this in the local risk assessment process. The National Risk Register can be accessed from this link:

https://www.gov.uk/government/publications/national-risk-register-2023

5.15 The cost of living challenge (Rising cost of living in the UK - House of Commons Library (parliament.uk)) also (Inflation and the cost of living for UK households, overview - Office for National Statistics (ons.gov.uk)). This included extra payments to help with the cost of living for people entitled to certain benefits or tax credits: https://www.gov.uk/guidance/cost-of-living-payment

5.16 **Increasing Demand Trend** – contextual performance information shows increasing demand during 2022/23 and into the current financial year, in particular regarding social care (even if for Q2 there is evidence that the trend had started reversing for children social care demand, which was still relatively high).

Other assurance work

5.17 New and interim managers have received one to one training and support regarding risk management.

5.18 A series of meetings have taken place to provide advice and support to risk owners and risk approvers during Q2.

5.19 Risks from the CRR are being linked to the Priorities of the Council Strategy using functionality available in the risk, performance and project management system (InPhase).

Proposals

5.20 There was one risk escalated onto the CRR this quarter.

5.21 Corporate Board, Operations Board and Governance Committee note the current (as at the end of September 2023) position and actions undertaken to minimise the impact of the 16 risks on the CRR and specifically the high score ones:

(a) **Risk rated 16:** One Financial risk (1).

(b) **Risks rated 12:** There were eight risks (three Reputation risks, two Financial risks, two Personal / Staff / Customer risks and one Asset risk) rated with the second highest score.

5.22 There were no risks to be de-escalated from the CRR this quarter.

5.23 Corporate Board, Operations Board and Governance Committee note further actions proposed to minimise the impact of existing risks on the CRR.

5.24 To note the progress with risk mitigation actions.

6 Other options considered

n/a

7 Conclusion

7.1 During Q2, the significant financial impact on budgets continued, due to inflation and due to increase in volume and complexity of demand. One new risk was escalated at the second highest level and for five risks on the CRR it was not possible to implement further mitigation measures by the end of Q2 so these were impacting at their gross level. However, for all these risks the services are working towards additional controls' implementation aiming to further reduce the risks rating.

7.2 Actions were being progressed for mitigation of the risks that were included on the CRR. As a result, increases in current (end of quarter 2) ratings compared to the previous quarter have been prevented in all cases.

7.3 During Q2, one risk had been identified for escalation on the CRR for Corporate Board to consider. There were no risks proposed for de-escalation from the CRR.

7.4 The other risks on the CRR show that there were a number of issues that continued to pose a potential risk to the Council and these have been detailed in this report including the updates on mitigation actions.

8 Appendices

8.1 Appendix A – Equalities Impact Assessment

8.2 Appendix B – Data Protection Impact Assessment

8.3 Appendix C – Corporate Risk Register Heath Map

8.4 Appendix D – Risk Thresholds for West Berkshire Council

Background Papers:

West Berkshire Risk Management Strategy

West Berkshire Council Strategy 2023 – 2027

Subject to Call-In:

Yes: ☒ No: ☐

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

Officer details:

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Appendix A

Equality Impact Assessment (EqIA) - Stage One

What is the proposed decision that you are asking the Executive to make:	This assurance report is for Corporate Board and the Governance Committee to note key issues relating to risks escalated on the Corporate Risk Register.
Summary of relevant legislation:	n/a
Does the proposed decision conflict with any of the Council's priorities for improvement? • Ensure our vulnerable children and adults achieve better outcomes • Support everyone to reach their full potential • Support businesses to start develop and thrive in West Berkshire • Develop local infrastructure including housing to support and grow the local economy Maintain a green district • Ensure sustainable services through innovation and partnerships	**Yes** ☐ **No** ☒
Name of Budget Holder:	Catalin Bogos
Name of Service/Directorate:	Strategy and Governance/Resources
Name of assessor:	Catalin Bogos
Date of assessment:	12/10/2023
Version and release date (if applicable):	

Is this a …. ?		**Is this policy, strategy, function or service … ?**	
Policy	**Yes** ☐ **No** ☒	**New or proposed**	**Yes** ☐ **No** ☒
Strategy	**Yes** ☐ **No** ☒	**Already exists and is being reviewed**	**Yes** ☐ **No** ☒
Function	**Yes** ☒ **No** ☐	**Is changing**	**Yes** ☐ **No** ☒
Service	**Yes** ☐ **No** ☒		

(1) What are the main aims, objectives and intended outcomes of the proposed

decision and who is likely to benefit from it?	
Aims:	Assurance is provided that the critical risks facing the Council are identified and appropriately managed.
Objectives:	To ensure decision making bodies are informed of the escalation and de-escalation of risks on/from the CRR and the mitigation actions in place or planned to mitigate the risks on the CRR.
Outcomes:	Critical risks facing the organisation are managed in accordance to the Council's risk appetite for different types of risks.
Benefits:	Optimum risk mitigation action is in place to support the achievement of the Council's objectives.

(2) Which groups might be affected and how? Is it positively or negatively and what sources of information have been used to determine this?

Group Affected	What might be the effect?	Information to support this
Age		
Disability		
Gender Reassignment		
Marriage and Civil Partnership		
Pregnancy and Maternity		
Race		
Religion or Belief		
Sex		
Sexual Orientation		
Further Comments:		
n/a		

(3) Result

Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	Yes ☐ No ☒
Please provide an explanation for your answer:	

Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	**Yes ☐ No ☒**
Please provide an explanation for your answer:	

(4) Identify next steps as appropriate:	
EqIA Stage 2 required	**Yes ☐ No ☒**
Owner of EqIA Stage Two:	
Timescale for EqIA Stage Two:	

Name: **Catalin Bogos** **Date: 12/10/2023**

Appendix B

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Strategy and Governance
Team:	Performance, Research and Risk
Lead Officer:	Catalin Bogos
Title of Project/System:	n/a
Date of Assessment:	12/10/2023

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
Will you be processing SENSITIVE or "special category" personal data? Note – sensitive personal data is described as "*data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person's sex life or sexual orientation"*	☐	☒
Will you be processing data on a large scale? Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both	☐	☒
Will your project or system have a "social media" dimension? Note – will it have an interactive element which allows users to communicate directly with one another?	☐	☒
Will any decisions be automated? Note – does your system or process involve circumstances where an individual's input is "scored" or assessed without intervention/review/checking by a human being? Will there be any "profiling" of data subjects?	☐	☒

	Yes	No
Will your project/system involve CCTV or monitoring of an area accessible to the public?	☐	☒
Will you be using the data you collect to match or cross-reference against another existing set of data?	☐	☒
Will you be using any novel, or technologically advanced systems or processes? Note – this could include biometrics, "internet of things" connectivity or anything that is currently not widely utilised	☐	☒

If you answer "Yes" to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two]. If you are unsure, please consult with the Information Management Officer before proceeding.

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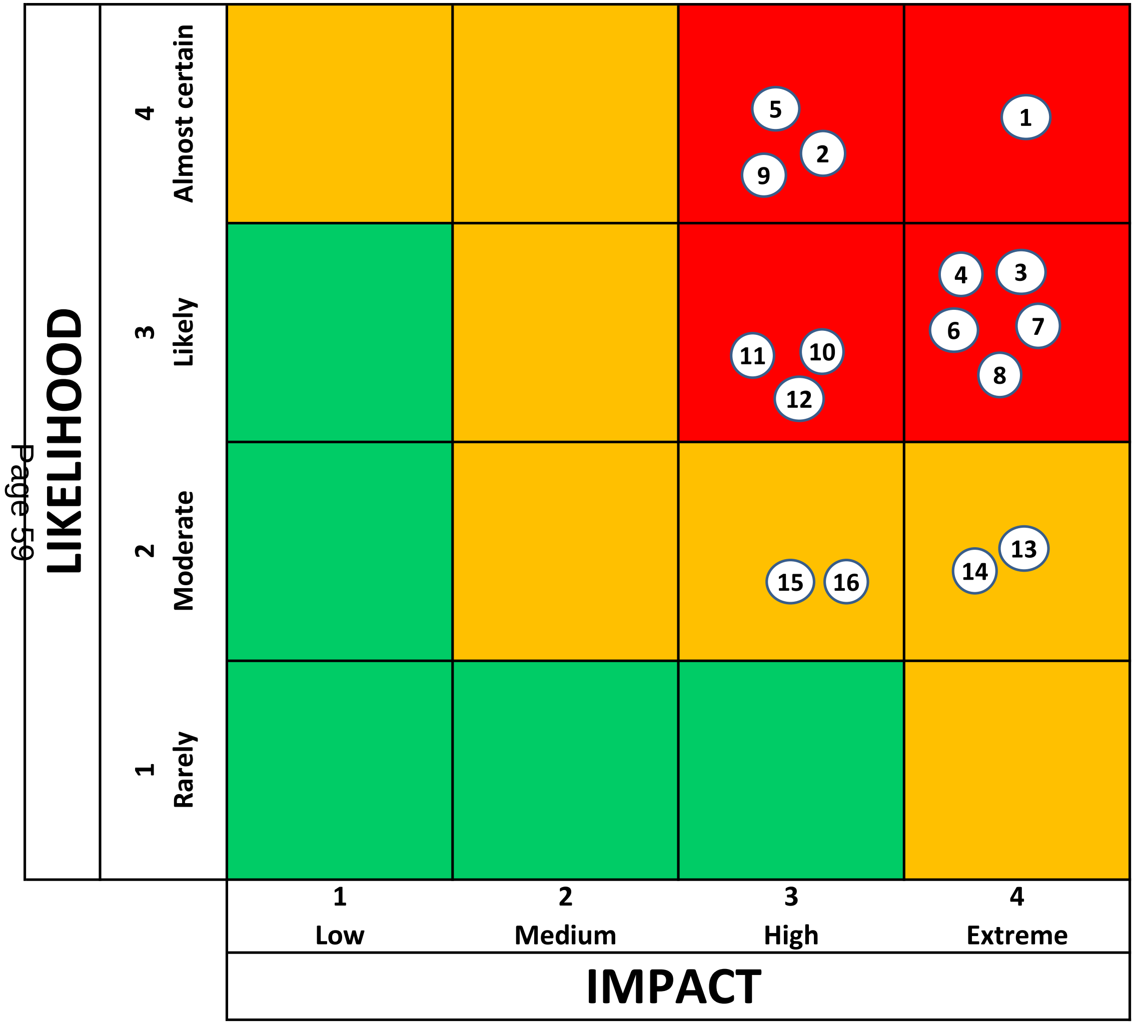
Appendix C - Corporate Risk Register Heat Map (Current Rating as at Q2 2023/24)



Risk Type

1. Financial
2. Assets (Physical & Information)
3. Personal / Staff / Customer
4. Reputational
5. Reputational
6. Financial
7. Reputational
8. Financial
9. (New) Reputational
10. Financial
11. Reputational
12. Reputational
13. Financial
14. Reputational
15. Personal / Staff / Customer
16. Financial

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Appendix D **Risk Thresholds for West Berkshire Council**

IMPACT

Impact Rating	Financial loss to Council	Personal / Staff or Customers	Assets / Physical / Information	Reputation	Legal (litigation, regulatory, contract)
4	£1m +	Death	Loss of main building / Loss of main ICT system – eg Email / Payroll / network	Adverse publicity nationally HSE / Fire Authority prosecution	Likelihood of successful legal challenge
3	£500k - £1m	Major injury / hospitalisation	Partial loss off main building or total loss of minor building. Temporary loss of major ICT system – up to one week, total loss of minor ICT system	External agency criticism – EG Auditor, Ofsted etc HSE / Fire Authority enforcement action	Possibility of successful legal challenge
2	£100k - £500k	Major financial loss £1,000+ Illness eg stress / minor accident / RIDDOR	Partial loss of minor building. Temporary loss of minor ICT system – up to one week. Loss of Major system – up to one day	Ombudsman complaint upheld	Possibility of legal challenge, outcome balanced
1	Less than £100k	Minor Financial loss up to £1,000 / complaint / Grievance	Loss of minor ICT system - up to one day	Adverse publicity locally	Possibility of legal challenge, likely to be unsuccessful

LIKELIHOOD

Likelihood Rating	Incidents	Probability
4	Very Likely – This risk is presently affecting the Council	81% - 100%
3	Likely – This risk is very likely to affect the Council	51 - 80%
2	Possible – This risk is will possibly affect the Council	21% - 50%
1	Unlikely – This risk is unlikely to affect the Council	0 - 20%

RISK TREATMENT

Risk Level	Gross Score	Net Score	Escalation	Response
High	12-16	9-16	Add to Directorate or Corporate Risk Register	Allocate to Director to oversee and Head of Service implement agreed actions. Where no effective actions are identified, add to the Key Issues list for regular monitoring by Corporate Board.
Medium	8-16	4 - 8	Identify assurance that identified controls are effective	Allocate to Director to oversee and Head of Service to put in place Controls Assurance
Low	1 - 8	1 - 3	None	Consider at next annual review

IMPACT

4	Extreme impact – Rarely 4	Extreme impact – Moderate 8	Extreme impact – Likely 12	Extreme impact – Almost certain 16
3	High impact – Rarely 3	High impact – Moderate 6	High impact – Likely 9	High impact – Almost certain 12
2	Medium impact – Rarely 2	Medium impact – Moderate 4	Medium impact – Likely 6	Medium impact – Almost certain 8
1	Low impact – Rarely 1	Low impact – Moderate 2	Low impact – Likely 3	Low impact – Almost certain 4
	1	2	3	4

LIKELIHOOD

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Agenda Item 10

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