

Notice of Meeting



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Governance Committee

Tuesday 27 January 2026 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: Monday 19 January 2026

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Gordon Oliver on 07827662991
e-mail: Gordon.Oliver1@westberks.gov.uk

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



WestBerkshire
C O U N C I L

To: Councillors Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Jeremy Cottam, Laura Coyle, Carolyn Culver, Billy Drummond, Owen Jeffery, Stephanie Steevenson, Simon Carey and David Southgate

Substitutes: Councillors Anne Budd, Adrian Abbs, Dennis Benneyworth, Paul Dick, Janine Lewis and Alan Macro

Agenda

Part I

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| 1 | Apologies
To receive apologies for inability to attend the meeting (if any). | 1 - 2 |
| 2 | Minutes
To approve as correct records the Minutes of the meetings of this Committee held on 30 September 2025 and 18 November 2025. | 3 - 8 |
| 3 | Declarations of Interest
To remind Members of the need to record the existence and nature of any personal, disclosable pecuniary or other registrable interests in items on the agenda, in accordance with the Members' Code of Conduct . | 9 - 10 |
| 4 | Forward Plan
Purpose: To consider the Forward Plan for the next 12 months. | 11 - 16 |
| 5 | Action Log
Purpose: To be informed about the actions taken from past meetings. | 17 - 18 |
| 6 | KPMG: Draft Auditor's Annual Report (2024-25)
Purpose: To consider the Draft Auditor's Annual Report for the year ending 31 March 2025 from KPMG (external auditor). | 19 - 98 |
| 7 | Internal Audit Update Report - Quarter Two 2025/26
Purpose: To update the Committee on the status of Internal Audit work as at the end of Quarter Two 2025/26. | 99 - 122 |

Agenda - Governance Committee to be held on Tuesday 27 January 2026 (continued)

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| 8 | Treasury Management Mid-Year Review Report 2025/26
Purpose: To detail the changes in the elements that contribute to the overall performance of the treasury activities and what the impacts of those changes are expected to be, along with the results for the half year to September 2025. | 123 - 148 |
| 9 | Financial Year-End 2025-26 (Year-End Planning Document)
Purpose: To inform Members of the draft accounting policies to be applied in the production of the Council's 2025/26 Statement of Accounts. The report also confirms any amendments to the accounting policies arising from changes in operational activities and/or the impact of any new accounting standards issued. | 149 - 174 |
| 10 | Risk Management Q2 2025/26 Report - Part I
Purpose: To highlight the 16 corporate risks (as at the end of September 2025) that need to be considered by the committee and outline the actions that were being taken to mitigate those risks, in accordance with the West Berkshire Council Risk Management Strategy and to call attention to changes observed in the Corporate Risk Register (CRR) during the reference period, more specifically, those related to a change in scoring or to the closure or inclusion of a risk in the register. | 175 - 184 |
| 11 | Exclusion of Press and Public
RECOMMENDATION: That members of the press and public be excluded from the meeting during consideration of the following items as it is likely that there would be disclosure of exempt information of the description contained in the paragraphs of Schedule 12A of the Local Government Act 1972 specified in brackets in the heading of each item. Section 10 of Part 10 of the Constitution refers. | |

Part II

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| 12 | Strategic Risk Register
<i>(Paragraph 3 – information relating to financial/business affairs of particular person)</i>
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|----|---|-----------|

Sarah Clarke.

Sarah Clarke
Executive Director - Resources

West Berkshire Council is committed to equality of opportunity. We will treat everyone with respect, regardless of race, disability, gender, age, religion or sexual orientation.

If you require this information in a different format or translation, please contact Gordon Oliver on telephone 07827662991.



Governance Committee – 27 January 2026

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 TUESDAY 30 SEPTEMBER 2025

Councillors Present: Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Jeremy Cottam, Laura Coyle, Carolyne Culver, Billy Drummond, Stephanie Steevenson, Simon Carey and David Southgate

Also Present: Sarah Clarke, Julie Gilhespey, Thomas Radbourne

Apologies for inability to attend the meeting: Councillor Owen Jeffery and Shannon Coleman-Slaughter

PART I

1 Minutes

RESOLVED: That the Minutes of the meeting held on 29 July 2025 would be redrafted and presented to the next meeting with the following amendments:

- Councillor Carolyne Culver's questions in Item four of the minutes to be captured regarding personnel issues such as sickness, fire and rehire, and exit interviews
- Councillor Culver's questions regarding any cost benefits analysis of centralisation of staff would be included.
- Councillor Culver's questions in Item seven and Councillor Iain Cottingham's explanation of Exceptional Financial Support, and the points raised regarding the borrowing headroom would be included.
- Councillor Culver's question and the response received regarding the Going Concern document would be included in the minutes.
- Councillor Culver's question and the response received regarding the benefits of a potential merger with Vale of the White Horse and South Oxfordshire District Council would be included in the minutes.
- Councillor Culver's question and the officer's response received in item seven in the minutes on transformation would be included in the minutes.

2 Declarations of Interest

There were no declarations of interest received.

3 Forward Plan

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

Members noted that the Constitution Review Task Group was not included on the Forward Plan.

Officers stated that the Constitution Review Task Group continued to meet, and there were some changes to the Constitution. Any changes to the constitution must go to the Governance Committee before going to Council.

GOVERNANCE COMMITTEE - 30 SEPTEMBER 2025 - MINUTES

Officers indicated that if the Committee had any concerns regarding Constitution updates that they felt should be prioritised, then Members could contact the Chair of the Constitution Review Task Group.

Officers noted that the program of the Constitution Review Task Group had previously been brought to the Governance Committee as part of the Forward Plan.

Action: The Constitution Review Task Group to be included on the Forward Plan. A report on Constitutional Updates was due to go to Corporate Board, and it may be at the next meeting of Governance in November 2025.

Action: Constitution updates to be included on the Forward Plan as a twice-yearly standing item.

Action: The Constitution Review Task Group work schedule to be included in the next Governance Committee.

Action: The Governance Committee proposed that the Constitution Review Task Group consider making the Constitution one searchable PDF document, rather than separate webpages.

RESOLVED that the Forward Plan be noted.

4 Internal Audit Update Report Quarter 1 2025-26

The Committee considered a report (Agenda Item 5) concerning Internal Audit Update Report Quarter 1 2025-26.

Members had a number of questions, and Julie Gilhespey responded as follow:

- There were underlying issues affecting the homelessness process
- There had been issues and delays with the new housing system generating invoices for rent. It was not working with Agresso, and the financial data was not mirroring across both systems. This was a known issue by the time of the audit and was still a work in progress.
- All software needed to interface with Agresso. Software to enable interfacing can be written internally, as systems from different suppliers may not interface initially. West Berkshire was not unique in having issues with interfacing.
- The rent backlog had no impact on vulnerable clients. The impact was on internal financial records and how they were recording the information and there was no impact on clients.
- There was a period where no invoices were generated automatically, however clients were aware of their rent obligations, as that was a separate process.
- There was a delay in some invoices being issued. This affected people if they did not wish to make or had not made any payments. The Council did not request some of the income promptly.
- The rent backlog was a known issue, and it had taken time to find alternative options, and take remedial action. By the time of the audit, the invoices and remedial action were almost up to date. However, the rental system on the housing system was not live. Issues identified by the audit will be followed up after six months, as is normal practice.
- Some of the recommendations from the audit focussed on improving and updating debt management processes and debt recovery. Part of that would include how they liaise with tenants and clients as part of that process.

GOVERNANCE COMMITTEE - 30 SEPTEMBER 2025 - MINUTES

- When purchasing a new ICT system, unless it has been tested with the internal systems the Council was reliant on the supplier and the quoters for the contract regarding system compatibility.
- It was unlikely that an IT issue would not occur again, as no supplier could guarantee 100% that their product would work with all of the software at the Council.
- Offline testing had showed that there was an issue with invoicing. A number of options were considered to rectify the issue, and while a solution was being sought, the Council fell back to using the previous process.

ACTION: Project management task and finish group to be informed about the project and the issues as there could be important constructive feedback and learning.

- The Council had been in contact with the supplier and had received an upgraded version that was being tested. It should be live soon.
- The Volker Highways contract was due for renewal next year. The audit recommendations were to give advice or consideration of things for the new contract and what should be included.
- The different audit stages were described in detail.
- The dedicated home to school transport was looked at separately as it was a large project. The compliance of the project had been investigated previously, and the cost effectiveness of the project had been reviewed by external consultants. The audit team were focussed on ensuring adequate controls to ensure the project was complying with legislation, internal policies and procedures, and ensuring the controls and processes were effective. The audit team could investigate value for money, but this was a different technique and audit approach.
- Section 17 referred to legislation covering Children's Social Care and covered bringing children into care or needing to accommodate children. Section 17 was additional support that the Council could provide and was to a certain degree at its discretion.
- The three conversations model was referred to the approach taken by Adult Social Care with clients when they came through the front door. It sought to identify if there were other appropriate sources of support for clients instead of immediately provided long-term care. It was a national good practice model.

RESOLVED that the committee note the Internal Audit Update Report Quarter 1 2025-26

5 Strategic Risk Register Q4 2024/25

The Committee considered a report (Agenda Item 6) concerning Strategic Risk Register Q4 2024/25.

Members asked a number of questions, and received the following responses:

- In Part II of the meeting, additional detail would be included that would show the different risks on the matrix.
- The Part I agenda was available to the public and included access to the heat map. They were able to see a description and the details of the nature of the risk such as financial loss or compliance.
- The analysis of risk management was an iterative process, some of the risks were ongoing, and some were risks that had to be mitigated as far as possible.

GOVERNANCE COMMITTEE - 30 SEPTEMBER 2025 - MINUTES

- The report mentions 16 risks, five extreme and 13 high. This was an error, it should have stated 11 high risks, and the mistake would be rectified.

Action: That the error in 4.8 stating that there were 13 high risks would be amended to state 11 high risks.

RESOLVED that the Committee note the Strategic Risk Register Q4 2024/25.

6 Exclusion of Press and Public

RESOLVED: That members of the press and public be excluded from the meeting for the under-mentioned item of business on the grounds that it involves the likely disclosure of exempt information as contained in Paragraphs 3, 5, and 6 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the [Local Government \(Access to Information\)\(Variation\) Order 2006](#). [Section 10, Part 10 of the Constitution also refers.](#)

7 Strategic Risk Register Q4 2024/25

(Paragraph 3, 5, and 6)

The Committee considered an exempt report (Agenda Item 8) concerning Strategic Risk Register Q4 2024/25.

RESOLVED that that the recommendations in the exempt report be agreed.

(The meeting commenced at 6.30 pm and closed at 8.30 pm)

CHAIRMAN

Date of Signature

DRAFT

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

GOVERNANCE COMMITTEE

**MINUTES OF THE MEETING HELD ON
TUESDAY 18 NOVEMBER 2025**

Councillors Present: Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Carolyne Culver, Owen Jeffery, Stephanie Steevenson, Anne Budd, Simon Carey and David Southgate

Also Present: Sarah Clarke, Nicola Thomas, Martyn Sargeant, Sam Chiverton, Thomas Radbourne.

Apologies for inability to attend the meeting: Councillor Jeremy Cottam

PART I

1 Minutes

RESOLVED: That the Minutes of the meeting held on 29 July 2025 were approved as a true and correct record and signed by the Chairman.

RESOLVED: That the Minutes of the meeting held on 30 September 2025 were approved as a true and correct record and signed by the Chairman.

2 Actions arising from the previous meeting

Members noted that there was repetition in Actions one, two and three.

Under Action four, Members asked if the Constitution could be produced as a single PDF rather than multiple PDFs. Officers responded that the Constitution would remain as is on the website and noted that an accessible PDF constitution, published through Modern.Gov, was available for the public and members to access. Officers to investigate whether the Constitution could be produced as a single PDF.

Action: Officers to investigate the PDF constitution being presented as a single document.

Action: Officers to investigate amalgamating Actions one, two, and three on the Action Log.

Action: Action Log to be maintained for future meetings.

RESOLVED to note the Actions arising from the previous meeting.

3 Declarations of Interest

There were no declarations of interest received.

4 Forward Plan

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

Officers noted that the Scheme of Delegation would be brought to the Governance Committee by February/March 2026.

Action: The Constitution Review Task Group and Updates would be included as a standing item on the Forward Plan, to be reviewed every 6 months.

GOVERNANCE COMMITTEE - 18 NOVEMBER 2025 - MINUTES

Action: The Work Programme would be renamed as ‘The Forward Plan’ to avoid confusion.

RESOLVED to note the report.

5 Constitutional Updates

The Committee considered a report (Agenda Item 4) concerning Constitutional Updates.

Nicola Thomas introduced the report, and highlighted the following points:

- Two separate parts had been updated, Part 8 - Contract Rules and Part 13 – Codes and protocols, which reflected the introduction and implementation of the Procurement Act 2023.
- Part 8 – Contract Rules, Paragraph 5.7 had been updated, and would be detailed onto the procurement team’s website, and would reflect the thresholds set by Central Government which stood at £179,904. This was an increase from £50,000. Officers highlighted that the threshold had not been increased in the last decade. The increased threshold would not be implemented until the next financial year on 1 April 2026. The Procurement Team, and Legal Team would undertake training with individual managers within the service areas, to ensure they were aware of their responsibilities regarding this update.
- Part 13 – Codes and protocols had been updated, including the transfer of information from the Constitution, such as contact information, to the intranet.

Members asked a number of questions, and received the following responses:

- On a question regarding the increase in threshold to £179,904, Officers noted that the changes would not impact the input of member oversight on key decisions, which would need to go through the governance process. The change was for individual service directors and executive directors making decision about contracts that fell within their own directorate without the need to seek approval through internal governance processes.
- Regarding consents required for contracts over £2.5 Million, Officers highlighted that there was no change proposed to the scheme of delegation. Any contract over £2.5 Million would have to go through the governance process for approval by members.
- Regarding a question on Appendix B, Item A, Officers noted that no change had been proposed, and that the requirement for at least one quote between £1,000 to £25,000 had not been amended.

RESOLVED to adopt the Constitutional Updates.

(The meeting commenced at 6.30 pm and closed at 6.53 pm)

CHAIRMAN

Date of Signature

Governance Committee – 27 January 2026

Item 3 – Declarations of Interest

Verbal Item

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**WEST BERKSHIRE COUNCIL
GOVERNANCE COMMITTEE FORWARD PLAN
2026 – 2027**

1. This document gives notice of decisions which the Governance Committee is expected to take.
2. The document is updated as required and is available to the public on the Council's website.
3. Copies of the Council's Constitution and agenda and minutes for all meetings of the Governance Committee may be accessed on the Council's website.
4. For copies of reports or other documents, and for detailed information regarding specific issues to be considered by the committee, please contact the named Lead Officer for the item concerned.
5. For further details on the time of meetings and general information about the Plan please email executivecycle@westberkshire.gov.uk

Publication Date: 14 January 2026

Nicola Thomas
Service Lead
Legal & Democratic Services
West Berkshire Council, Council Offices
Market Street
Newbury
RG14 5LR

Decision Due Date	Title	Purpose	Lead Officer e.g report author	Report likely to be considered in private (i.e., it contains confidential or exempt information)
27 January 2026				
27 Jan 2026	Internal Audit Update Report - Quarter Two 2025/26	<p>To update the Committee on the status of Internal Audit work as at the end of quarter two 2025/26.</p> <p>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.</p> <p>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.</p>	Julie Gillhespey	Open
27 Jan 2026	Mid-Year Treasury Report	To receive the Mid-Year Treasury Report, 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.	Chris Dagnall	Open

Decision Due Date	Title	Purpose	Lead Officer e.g report author	Report likely to be considered in private (i.e., it contains confidential or exempt information)
27 Jan 2026	Strategic Risk Register Q2 2025/26	To scrutinise individual items on the Risk Register.	Beatriz Teixeira	Part exempt
28 April 2026				
28 Apr 2026	Internal Audit Update Report - Quarter Three 2025/26	<p>To update the Committee on the status of Internal Audit work as at the end of quarter three 2025/26.</p> <p>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.</p> <p>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.</p>	Julie Gillhespey	Open
28 Apr 2026	Annual Governance Committee Report 2024-25		Sarah Clarke - Executive Director	Open
28 Apr 2026	Strategic Risk Register Q3 2025/26	To scrutinise individual items on the Risk Register.	Beatriz Teixeira	Part exempt
28 Apr 2026	Constitution Update (Standing Item)			
14 May 2026				

Decision Due Date	Title	Purpose	Lead Officer e.g report author	Report likely to be considered in private (i.e., it contains confidential or exempt information)
14 May 2026	Election of Chairman			Open
14 May 2026	Election of Vice-Chairman			Open
23 June 2026				
23 Jun 2026	External Audit Plan 2025/26		Jonathan Brown, Jess Townsend	Open
23 Jun 2026	Internal Audit Draft Plan 2026-27	The Public Sector Internal Audit Standards (PSIAS) require the Council's Audit Plan and Internal Audit Charter to be approved by those charged with governance within the Council. The purpose of this report is to set out a risk-based plan of work for Internal Audit (IA) that will provide assurance to the Governance Committee on the operation of the Council's governance, risk management and internal control frameworks, and support the Committee's review of the Council's Annual Governance Statement.	Julie Gillhespey	Open
23 Jun 2026	Annual Internal Audit Assurance Report 2025/26		Julie Gillhespey	Open
23 Jun 2026	Annual Treasury Management Report	To summarises the results of the Council's management of cash-flow, borrowing and investments in the financial year 2025/26.	Shannon Coleman-Slaughter	Open
23 Jun 2026	Annual Governance Statement	To summarise the key governance issues for the Council and the action plan to address these. The Annual Governance Statement	Sarah Clarke	Open

Decision Due Date	Title	Purpose	Lead Officer e.g report author	Report likely to be considered in private (i.e., it contains confidential or exempt information)
		(AGS) will be approved by those charged with governance, the Governance Committee at West Berkshire, under the Accounts and Audit Regulations 2015. The AGS will form part of the Council's Statement of Accounts.		
23 Jun 2026	Annual Monitoring Officer's Report		Sarah Clarke	Open
29 September 2026				
29 Sep 2026	Internal Audit Update Report - Q1 2026/27		Julie Gillhespey	Open
29 Sep 2026	Draft Financial Statements and Going Concern Assessment		Chris Dagnall	Open
29 Sep 2026	Strategic Risk Register - Q4 2025/26		Beatriz Teixeira	Part exempt
17 November 2026				
17 Nov 2026	Internal Audit Assurance Report 2025/26		Julie Gillhespey	Open
17 Nov 2026	Constitution Update (Standing Item)			
26 January 2027				
26 Jan 2027	Internal Audit Update Report - Q3 2026/27		Julie Gillhespey	Open
26 Jan 2027	Risk Management Strategy 2027 - 2030			Open

Decision Due Date	Title	Purpose	Lead Officer e.g report author	Report likely to be considered in private (i.e., it contains confidential or exempt information)
26 Jan 2027	Financial Year 2026/27 Mid-Year Treasury Report		Chris Dagnall	Open
26 Jan 2027	Strategic Risk Register - Q2 2026/27		Beatriz Teixeira	Part exempt
8 March 2027				
8 Mar 2027	Internal Audit Update Report - Quarter Three 2026/27		Julie Gillhespey	Open
8 Mar 2027	Internal Audit Draft Plan 2027-28		Julie Gillhespey	Open
8 Mar 2027	Strategic Risk Register - Q2026/27		Beatriz Teixeira Beatriz Teixeira	

Actions arising from previous Governance Committee Meetings Members are requested to consider the following list of actions and note the updates provided.				
Meeting Date	Item/Action	Member/Officer	Status	Comments/Update
30 September 2025	Forward Plan The Constitution Review Task Group to be included on the Forward Plan. A report on Constitutional Updates was due to go to Corporate Board, and it may be at the next meeting of Governance in November 2025.	Nicola Thomas	Completed (Reported)	Forward plan is appended to report being considered by Governance Committee on 18 November 2025
30 September 2025	Forward Plan Constitution updates to be included on the Forward Plan as a twice-yearly standing item.	Thomas Radbourne	Completed	Standing Item Added Next constitution update will be Scheme of Delegation - work ongoing
30 September 2025	Forward Plan The Constitution Review Task Group work schedule to be included in the next Governance Committee.	Nicola Thomas	Completed (Reported)	Forward plan is appended to report being considered by Governance Committee on 18 November 2025
30 September 2025	Forward Plan The Governance Committee proposed that the Constitution Review Task Group consider making the Constitution one searchable PDF document, rather than separate webpages.	Nicola Thomas	Completed (Reported)	CRTG considered the format of the constitution at a meeting in August. This progressed for consideration by both Corporate Board (14 October) and Executive Briefing (23rd October) with Democratic Services arranging for PDF version to be published for general access 1 November. The primary access will remain through the website given the advice on accessibility:
30 September 2025	Internal Audit Update Report Q1 25-26 Project management task and finish group to be informed about the project [Housing system, Abritas] and the issues as there could be important constructive feedback and learning.	Sarah Clarke	In progress	

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KPMG: Draft Auditor's Annual Report (2024-25)

Committee considering report:	Governance Committee
Date of Committee:	27 January 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Christopher Dagnall (Interim Consultant)
Forward Plan Ref:	G4744

1 Purpose of the Report

- 1.1 For the Governance Committee to consider the Draft Auditor's Annual Report for the year ending 31 March 2025 from KPMG (external auditor).

2 Recommendation

- 2.1 To note the report and timescales included.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	To note KPMG's ongoing work in relation to an assessment of the Council's financial sustainability. Two significant Value for Money (VfM) risks are discussed within Pages 11 and 12 of the Appendix A document and these relate to financial resilience and the Dedicated Schools Grant (DSG) deficit
Human Resource:	None
Legal:	None
Risk Management:	None
Property:	None
Policy:	None

	Positive	Neutral	Negative	Commentary
Equalities Impact:				No decision
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		None identified
Health Impact:		X		None identified
ICT Impact:		X		None identified
Digital Services Impact:		X		None identified
Council Strategy Priorities:		X		None identified
Core Business:		X		None identified
Data Impact:		X		None identified
Consultation and Engagement:	None			

4 Executive Summary

- 4.1 The auditor's tabling of this report is a requirement within the Local Government external audit assurance regime, and defines KPMG's strategy for the audit of the Council's 2024-25 Statement of Accounts

5 Supporting Information

Appendix A contains KPMG's detailed draft audit plan

6 Other options considered

- 6.1 None. The Council is obliged under statutory accounting requirements to ensure that the annual Statement of Accounts is presented to an external auditor. The auditor will, in due course, issue an opinion on the Council's financial statements

7 Conclusion

- 7.1 For members to consider and note the draft report

8 Appendices

- 8.1 Appendix A – KPMG: Draft Auditor's Annual Report for the year ending 31 March 2025

- 8.2 Appendix B – KPMG: Year End Report to the Governance Committee

Background Papers:

None

☐

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

Wards affected: all

Officer details:

Name: Christopher Dagnall (Interim Consultant)
Telephone: 07917 714358
Email: chris.dagnall2@westberks.gov.uk

Auditor's Annual Report for West Berkshire Council DRAFT

Year-ended 31 March 2025

—

27 January 2026

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DRAFT

Key Contacts

Jonathan Brown
Partner
Jonathan.Brown@kpmg.co.uk

Jess Townsend
Manager
Jess.Townsend@kpmg.co.uk

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a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

Our audit report is made solely to the members of West Berkshire Council ('the Council'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



01

Executive Summary

Executive Summary

DRAFT



Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of West Berkshire Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the ‘Code of Audit Practice’) and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:



Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 (‘the CIPFA Code’).



Other information - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



Other powers - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements	We issued a disclaimer of opinion on the Council’s financial statements on [Date]. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as [we consult DPP A&R on the proposed wording here as part of our consultation on the disclaimer of opinion]. Further details are set out on page 7. We have provided further details of the key risks we identified and our response on pages 8-10.
Other information	Our work over other information is currently underway as noted above. We will report any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Council.
Value for money	We identified two significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 12.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet concluded its audit of the Whole of Government Accounts for the 31 March 2025 financial year, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf.

Executive Summary

DRAFT



There are several actions we can take as part of our wider powers under the Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

As at the date of this report, we have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

As at the date of this report, we have not applied to the courts.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

As at the date of this report, we made no recommendations under Schedule 7 of the Act.

As at the date of this report, we have not raised any other recommendations.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

As at the date of this report, we have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Governance Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements

Audit of the financial statements

DRAFT

Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Council financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the Council's financial statements

We have issued a disclaimer of opinion on the Council's financial statements on [Date]. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

[Insert the agreed final basis for disclaimer of opinion wording from the audit report exactly with no amendments]

Further information on our audit of the [Entity abbreviation] financial statements is set out overleaf.



Audit of the financial statements

DRAFT

The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- We critically assessed the independence, objectivity and expertise of the Council's valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- We critically assessed the independence, objectivity and expertise of the Council's valuers used in developing the valuation of the Council's investment property at 31 March 2025;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.



Audit of the financial statements

DRAFT

The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Management override of controls

Fraud risk related to unpredictable way management override of controls may occur

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluated the selection and application of accounting policies;
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments;
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual;
- In line with our audit plan, tested the operating effectiveness of controls over journal entries and post closing adjustments;
- We analysed all journals through the year using data and analytics and focus our testing on those with a higher risk.

Our findings

This work is currently ongoing.

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice; and
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Audit of the financial statements

DRAFT

The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not recorded in the correct accounting period

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We inspected a sample of invoices of expenditure, in the period around 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;
- We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded;
- We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and
- We performed a retrospective review of prior year accruals in order to assess the completeness with which accruals had been recorded at 31 March 2024 and considered the impact on our assessment of the accruals at 31 March 2025. We also compared the items that were accrued at 31 March 2024 to those accrued at 31 March 2025 in order to assess whether any items of expenditure not accrued for as at 31 March 2025 have been done so appropriately.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.



03

Value for Money

Value for Money



DRAFT

Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is on-going. The work outlined within this report relates primarily to our risk assessment work. We will report our conclusions to the next Committee.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	14-17	18-19	20-21
Identified risks of significant weakness?	✓ Yes	✗ No	✗ No
Actual significant weakness identified?	✓ Yes	✗ No	✗ No
2023-24 Findings	Significant weakness identified.	No significant risks identified	No significant risks identified
Direction of travel	↗	↔	↔

Value for Money

DRAFT

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). Government guidance is awaited on childrens services reform and SEND, and some authorities are delaying transformation programmes until there is clarity on how services should evolve.

An accounting override exists meaning Councils do not need to recognise schools deficits as part of their reserves which, for some, avoids Councils becoming insolvent. This override was extended to March 2028. However, some have raised concerns that this extension only defers the problem, and the underlying unsustainability of education expenditure has not been resolved.

Local context

West Berkshire currently is in receipt of Exceptional Financial Support (EFS), which is a form of temporary assistance from central government for Councils facing severe financial difficulties. This has allowed the Council to avoid a s114 Notice in the current financial year.

West Berkshire’s revenue budget for the year saw an overspend of £6.7 million (this doesn’t include the DSG-linked overspend). Without the additional EFS measures, the Council would no longer be in a position to fund services.

The Council’s General Fund balance ends in a stable position (despite underlying challenges), with £10.6 million at the end of 24/25 (£4.1 million in 23/24), due to the EFS impact.

The Authority’s own risk management and financial reporting is clear that up to £20 million of savings will be needed over the next three years in order to maintain this position.

It is also noted that the Dedicated Schools Grant position at the Council is on a significant deficit growth trajectory (£6.7 million deficit in year, total £16 million). Whilst a national issue with the growth of individuals on Education Health Care Plans (EHCP) and the ‘statutory override’ has now been pushed out to 31 March 2028, the widening deficit is a continued risk for the Council.



Financial Sustainability

DRAFT

How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Conclusion on financial sustainability

Our risk assessment procedures have identified two risks of significant weakness, which have been shown on pages 16-17.

Delivery of the financial plan and position on reserves

The Council set a balanced budget for the 24/25 financial year, recognising in the Medium Term Financial Plan that savings were required in order to achieve this, with total assumed savings in the budget of £14.5 million, this included an expectation of a £1.9 million increase in reserves. The 2024/25 Quarter 4 Performance Report states that that 83% of the total identified savings were achieved.

However, the Council posted an adverse net variance to budget of an adjusted £6.8 million (£15.9 million including adjustments such as DSG). This exceeds the Council's General Fund balance for 24/25 and would have resulted in use of reserves in full, if not for the receipt of Exceptional Financial Support (EFS) from central government of £13 million, which averted the need to issue a s114 Notice in year. The Council's Quarter 4 Revenue Financial Performance Provision Outturn Report acknowledges the Council's financial situation 'remains extremely difficult'.

The primary driver for this is Children's Services, where Children's Social Care was £2.2 million over budget and Education and SEND was £2.4 million over-budget (DSG-funded Education was £6.7 million over budget). The Council is aware of the financial risk posed and has made savings in year (discussed in the economy, efficiency and effectiveness section), however this has not resulted in resolving the fundamental problem with delivery of children's services. The Corporate risk register further outlines the financial risks of the Council.

The Council is at risk of exhausting its reserves position with a similar deficit in 25/26 and therefore we are identifying this as an area with a risk of significant weakness.

As noted above, DSG-funded Education was £6.7 million over budget for 2024/25, however, there is no robust plan in place in relation to the recovery of this deficit.

Financial Sustainability



DRAFT

Approval of Financial Plans

Guidance is issued (in line with practice noted in the previous year) by Finance on an annual basis (Budget Build), typically shortly after the previous financial year end. This includes guidance for Budget Managers to propose a budget with efficiencies, supported by Finance Business Partners. Business cases are reviewed and challenged by the Corporate Board and Budget Board.

A final budget is produced and approved through the Executive in February and shortly after at full Council. KPMG have reviewed documentation and Committee minutes confirming appropriate consideration and challenge of proposals. The 2024/25 Budget & Medium-Term Financial Strategy 2024/25-2026/7 was approved by Council on 29 February 2024.

The Council's plans for 25/26 include an increase in Council Tax (2.99%) and Adult Social Care Precept (2%) and this together with an increase in the Band D equivalent taxbase equates to £7.4 million additional income, but note the budget also requires £8.2 million of savings and central government Exceptional Funding Support (EFS) of £3 million to achieve a balanced budget. We will review these plans as part of our concluding report.

Monitoring of Financial Results

All approved budgets generate a tracker that is reported monthly as part of the budget monitoring process. Quarterly Revenue and Capital Performance Monitoring are reviewed by the Executive. The Corporate Management Team also have a monthly meeting dedicated to performance as well as a dedicated Financial Reporting Panel to review all overspending in services. We will review the financial monitoring processes in greater detail as part of our response to the risk in this area.

Internal audit have provided 'Reasonable Assurance' over the Council's governance, risk management and control framework, which remains robust as part of their Annual Assurance Report (Governance Committee, 29 July 2025). They also acknowledge the challenging financial situation referred to above.

Financial Resilience Report

A review over the Council's financial resilience was undertaken by CIPFA, and the report published in November 2025. The Financial Resilience review acknowledged that considerable efforts had already been made to remediate the issue by the Authority including: establishing a Finance Review Panel and focusing on delivering savings and establishing a need for greater efficiency. However, CIPFA have concluded that there is no clear strategy in place at the Authority to resolve their position – there are currently only short-term solutions instead of a longer-term strategy. The report offers 3 steps to help in creating such a strategy: Promote the importance of the need to address the structural gap in the Council's finances; Develop a clear recovery plan for how the structural gap will be resolved; and Establish mechanisms to implement the recovery plan.

Key financial and performance metrics:	2024-25 (£m)	2023-24 (£m)
Planned surplus/(deficit)*	Balanced	Balanced
Actual surplus/(deficit)*	(6.8)	(3.1)
General Fund balance	10.6	4.1
Cumulative DSG deficit	16.1	9.5
Year-end borrowings	268.2	249.9
Year-end cash position	17.3	17.3

*excluding DSG deficit

Significant Value for Money Risk

DRAFT



1

Financial resilience

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability.

Significant Value for Money Risk

Financial stress on the Council relies on tight budgetary constraints and limited scope for further significant overspend.

Our response

We will perform the following procedures:

1. Consider the Council's arrangements and structures to monitor and deliver a balanced budget;
2. Understand the process for identifying savings and other available levers to the Council if any;
3. Review recent budget monitoring and performance throughout the period and to date; and
4. Conduct interviews with senior management to understand the continuing financial stability of the Council.

Our findings

Findings

Similarly to 2023/24, the Council has a high reliance on council tax, which it historically increased by less than the maximum amount in previous years. Coupled with lower reserves to rely on, largely national pressures have hit the Council quicker than some others and have overwhelmed the Council's saving plans.

It is only the receipt of Exceptional Financial Support (EFS) which averted the need to issue a s114 Notice in year.

Additional review confirms that many of the core pressures on the Council's budget are familiar to all unitary Councils in the national context. It also suggests that current savings and transformation plans may be insufficient in the short term.

Although the plans in place are showing results in individual directorates in the specific areas they are targeted, we continue to recommend that it requires a more ambitious strategy. This view was confirmed by the recent Financial Resilience review, undertaken by CIPFA in November 2025.

Findings cont.

Individual directorates are highlighted as areas with overspend, but the Council should act more centrally.

Experience with other organisations in a similar context suggests that a further centralised approach to savings could be helpful, whereby overspend is reviewed and mitigated more holistically at a Council-level on a frequent basis. This could be resolved through an additional Board or equivalent meeting, with authority to pull levers quickly, centrally and cross-directorate to mitigate overspend.

This would require organisational buy-in to understand the tough choices that may be required to balance to the budget despite increasing pressures.

Conclusion

Based on the findings above we have determined that there remains a significant weakness in arrangements relating to financial sustainability.

Significant Value for Money Risk

DRAFT



2

Dedicated Schools Grant deficit

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

Significant Value for Money Risk

The scale of the DSG deficit may not have been appropriately recognised

Our response

We will perform the following procedures:

1. Consider the Council's plans in place to mitigate the increasing cost;
2. Consider the Council's position relative to other unitary authorities; and
3. Review future expected deficit and the impact on the Council.

Our findings

Findings

In 2024/25, there was an overspend of £6.68 million on the Dedicated Schools Grant (DSG). Discussions with the Authority identified that there is not currently a robust deficit recovery plan in place for DSG, including the identification of future expected deficits and the impact on the Council.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to financial sustainability.

How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Conclusion on governance arrangements

Our risk assessment did not identify a risk of significant weakness in the area of governance. This is due to the procedures performed during our risk assessment identifying the Council to have appropriate and effective processes in place.

Risk management

The Council's guiding governance document is the Constitution. This is built on with the Council's risk management policy and procedure, which further formalises the risk management structures within the authority and cements its approach to risk assessment.

There are three levels of risk register operated within the Council. Lower level risk registers are reviewed by operational and/or directorate management teams, with the opportunity to promote the risk to the Corporate Risk Register. Roles and responsibilities for various registers, identification of risk, and practicalities of raising a risk are clearly defined.

A 4 x 4 scoring matrix is used by the Council to score risks on the Corporate Risk Register (Impact x Likelihood). The Corporate Risk Register has 18 risks identified, the mostly highly rated include a number of financial risks/budget pressures, which is appropriately recognised given the current situation at the authority and risks refer to many of the points identified under our financial sustainability risk assessment. Our review of the risk register found that this was sufficiently detailed to effectively manage key risks and we identified evidence of review within the Governance Committee throughout the year.

The Council's arrangements for risk management appear appropriate for an entity of its size and nature and the risk assessment policies in place are considered effective in monitoring and assessing risk.

Fraud, Laws and Regulation and Officer compliance

The effectiveness of internal controls is monitored by the Governance Committee, through reporting from Internal Audit and Counter Fraud. The programme of work for each organisation is approved at the start of the financial year by the committee and any recommendations raised are reported to the Governance Committee. Our review of the Committee papers confirmed that there were appropriate discussions and follow up of recommendations. We will further review internal audit reports as part of our work in this area.

The Council retains a suite of policies (in line with other comparable local authorities), which clearly outline the expected behaviour of Councillors and officers in relation to areas such as Staff and Councillor Codes of Conduct and Members' Allowances. Specific guidance is in place for teams and managers via standards of behaviour for these roles. Overall compliance with legislation, laws & regulations are monitored by management.

Governance



DRAFT

Progress following the LGA Corporate Peer Challenge

West Berkshire were subject to a Corporate Peer Challenge in February 2024. This identified several actions, including 11 key recommendations with a focus on financial control. This included a recommendation to ‘urgently address overspending in children’s and adult services and build reserves, develop a clear plan that has buy-in from the whole organisation’ and that ‘the transformation programme needs to be bolder to help ensure that the Council can get a grip of finances, particularly the overspends in children’s and adult services, and home to school transport’.

This is in line with our previous year considerations. We will follow up with management regarding actions and improvements made to resolve the recommended points, however we have already identified a risk in Financial Sustainability and will consider this report further in that context as we complete our VFM conclusion. Should any underlying governance issues be identified, we will amend this risk in our final report.

Transformation and future plans

The Council has a Transformation Plan in place in order to assist in bridging the financial gap and putting the Council in a more stable position. This plan was discussed in the LGA Peer Review outcomes, which suggested that the plans need to go further considering the position of the Council financially. We will review these plans and goals achieved as part of our Conclusion document.

There are also plans to form a larger ‘Ridgeway Council’, merging with neighbouring authorities. We will assess the plans and governance in place for this as per the audited financial year.

	2024-25	2023-24
Head of Internal Audit Opinion	Reasonable assurance.	Reasonable assurance.
Ofsted rating	No new ratings released at time of writing.	No ratings in year. Focused inspection identified no issues.
Care Quality Commission rating	Good	Good

Improving economy, efficiency and effectiveness

DRAFT

How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Conclusion on arrangements for improving economy, efficiency and effectiveness

We did not identify a risk of significant weakness in the area of improving economy, efficiency and effectiveness. This is due to the procedures performed during our risk assessment identifying the Council to have appropriate and effective processes in place.

Assessing Value for Money and Opportunities for Improvement

The Council had a target of £16.4 million regarding cost savings for the financial year 2024/25. In the Revenue Financial Performance Provisional Outturn paper it states that, 83% have been delivered, with 17% categorised as non-deliverable (£2.8 million unachieved). Efficiencies are built into the budgeting process as previously outlined above. This compares to £9 million savings in 2023/24 of which the Council achieved £5 million.

With the position on the General Fund and the budget pressures, achieving savings and the goals of the transformation plan will be critical to the Council's short term stability. We will review savings plans further as part of our VFM conclusion.

Monitoring of Performance of Services

Performance reporting and monitoring of efficiency plans has not changed significantly since our previous report, with reporting lines and documentation in line with other similar local authorities. We have reviewed the in-depth reporting. The Governance Committee review the Strategic Risk Register quarterly and Council also have oversight of the position annually through the Budget and the associated Chief Finance Officer's Report on the Robustness of the Council Budget.

The Corporate Plan also includes performance measures, key projects and initiatives and other non-financial metrics. All collated information is subject to initial scrutiny by the Corporate and Operations Board before submission through the Committee structures.

Partnership Working

Key officers engage in regional and national networks, as well as operating several multi-agency forums, such as the Health and Wellbeing Board (including the ICB) and Local Integration Board. The Council are also within a partnership with Veolia, for a waste PFI contract.



Improving economy, efficiency and effectiveness

DRAFT



How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Benchmarking

The Council operate some benchmarking activities with neighbouring Councils and review national benchmarking performed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA). They also receive third party specialist advice. We will explore this area further as part of our overall conclusion.

We have reviewed the CIPFA outputs for the Council. Current benchmarking on the CIPFA Financial Resilience Index is based on 2023-24 data, however we expect the inputs to be similar for 2024/25 and its indicators of financial stress suggest the authority is generally high risk compared to its Nearest Neighbours and other Unitary Authorities. The Council's 'Level of Reserves' metric continues to be at the Higher Risk end and the lowest level of reserves in the comparative grouping. This has been factored into our risk assessment in the Financial Sustainability pillar, where we have identified a risk of significant weakness.

View from the regulators

The Council is subject to a number of inspections by the regulator. The Care Quality Commission reviewed West Berkshire in May 2024 and issued a Good rating, consistent with previous ratings. However, there have not been other inspections that we have been able to review, therefore the conclusions reached last year are still applicable: reports from Ofsted and the CQC generally rate West Berkshire as 'Good', except Birchwood Care Home services.

We investigated the report into Birchwood in the prior year and noted that measures were in place for improvement of this service and reviewed governance arrangements in place to monitor the action plan. We will follow-up in this area again in the current year, but given our conclusion in the prior year, we do not think there is an inherent risk of significant weakness as a result.

We will consult with management over reports that relate to current year but have not yet been published online and will include any identified impacts in future reporting.

Value for Money: Recommendations

DRAFT

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	<p>Issue</p> <p>There is not a robust deficit recovery plan in place for the Dedicated Schools Grant (DSG) deficit. While this is a national issue, there needs to be a collective responsibility for returning to a sustainable position.</p> <p>Impact</p> <p>The lack of robust plan could result in larger than expected future deficits where the scale of the DSG deficit may not have been appropriately recognised. This may then have a knock on impact on the reserves and further reduce the Council's financial position.</p> <p>Recommendation</p> <p>The Council should implement a robust deficit recovery plan for DSG which includes the identification of future expected deficits and the impact on the Council.</p>	<p>Management acknowledges that the DSG deficit will continue to increase. A key driver is a shortfall in High Needs Block (HNB) funding. The DSG deficit is discussed at the Heads Funding and Schools Forum on a regular basis and strategies for deficit reduction are considered within both forums.</p> <p>Toby Bradley (Service Lead – Financial Management)</p> <p>Due date – 30 April 2026</p>



Value for Money: Recommendations

DRAFT

Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2026
1	<p>Issue</p> <p>The Council's reserves position is critically low for maintenance of seamless on-going services</p> <p>Impact</p> <p>The Council is increasingly vulnerable to overspends in services and may need to request additional funding via an exceptional financial support request to avoid a future section 114 scenario.</p> <p>Recommendation</p> <p>The Council should be bolder and more urgent in their Transformation programme with powers and levers to challenge and mitigate overspends on a Council-wide, cross-directorate basis</p> <p>This could be supported by a focused, centralised, regular 'emergency spend control' forum, with powers and levers to challenge and mitigate overspends on a Council-wide, cross-directorate basis.</p>	<p>The Council has had a spend control panel established since July 2023 - the Financial Review Panel (FRP). This initially reviewed all expenditure over £1,000. Those limits have subsequently been increased, but the FRP continues to meet weekly to review and approve agency and recruitment activity. The Council is moving into the second phase of the Transformation Programme, using external assurance to highlight greater levels of savings that can be delivered to support the budget position.</p> <p>In January 2025, the Council submitted a request to secure additional support of £16m within Central Government's Exceptional Financial Support framework.</p> <p>Of the total requested, £13m is intended to be utilised in the 2024/25 financial year, with £3m to be applied during 2025/26. The primary requirement for this request is the Council's need to replenish usable reserves. This request was approved in February 2025.</p>	<p>KPMG</p> <p>KPMG are still assessing the impact of the Transformation Programme in the current phase and will seek a response from management should the issue remain open in the finalised report.</p>



Value for Money: Recommendations

DRAFT

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2026
2	<p>Issue</p> <p>Significant weakness in arrangements for financial sustainability</p> <p>Impact</p> <p>The Council has some of the lowest reserves and highest debt to asset ratios in England. It has debts of £62 million associated with properties that are only worth £51 million. The Council incurred a small overspend in 2022/23 and is forecasting an overspend again in 2023/24, despite spending controls having been adopted. For the next four years, the Council forecasts a £30 million budget gap.</p> <p>Recommendation</p> <p>The Council must monitor its financial position and the impact of spending controls closely. As a priority, the Council should consider all possible options, including those that focus on People Directorate contract spend but also other areas of the revenue account where efficiencies may be possible.</p> <p>Options under current discussion include disinvestment from capital assets with negative equity values. It will be important that any exit strategy adopted by the Council is supported by professional advice, reviewed regularly, and is subject to appropriate scrutiny and challenge.</p>	<p>The Council continues to monitor spending closely with high levels of control and has a Transformation programme in place to help seek out further efficiencies. The Financial Review Panel remains in place through into the 2024-25 financial year. Any property disposals from Commercial Property come to the Executive for approval and are subject to professional external advice.</p> <p>January 2025</p> <p>Financial monitoring is established as a quarterly routine. The Council's Executive Board continues to formally approve all asset disposals within the Commercial Property Portfolio. The Financial Review Panel convenes on a weekly basis to review establishment spend and agency recruitment expenditure.</p>	<p>KPMG</p> <p>Issue considered still open as the budget challenges remain.</p>





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Document Classification: KPMG Public

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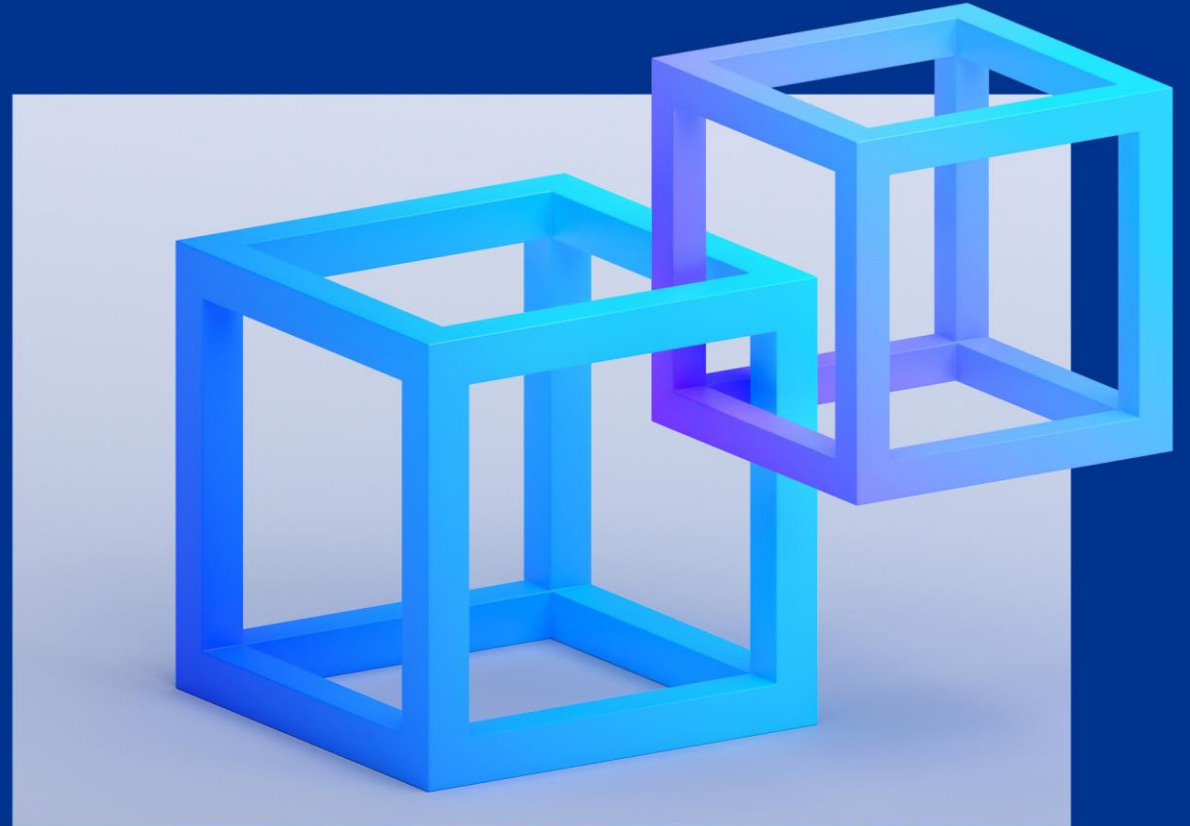
West Berkshire Council

Year End Report to the Governance Committee

Year end report for the year ended 31 March 2025

—

27 January 2026





Introduction

To the Governance Committee of West Berkshire Council

We are pleased to have the opportunity to meet with you on 27 January 2026 to discuss the findings and key issues arising from our audit of the financial statements of West Berkshire Council (the 'Council'), as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 29 April 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jonathan (jonathan.brown@kpmg.co.uk), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: [Complaints](#).

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit report on the approval of those statement of accounts and auditor's representation letter by the backstop date of 27 February 2026, provided that the outstanding matters noted on page 7 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

Jonathan Brown

27 January 2026

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Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of West Berkshire Council (the 'Council') for the year ended 31 March 2025.

This Report has been prepared for the Council's Governance Committee, a sub- of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 29 April 2025.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit (to the extent it has been possible in the context of our expected disclaimer of opinion - see page 4).

Status of our audit and the implications of the statutory backstop

Page 4 'The statutory backstop and rebuilding assurance' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified findings as reported in our report.

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 7 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.



The statutory backstop and rebuilding assurance

Background

The Government has introduced measures to resolve the legacy local government financial reporting and audit backlog.

Last year, amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 for the 2023/24 audit. For West Berkshire Council this had the impact of disclaimer of opinion issued by your predecessor auditor for two financial years up to and including 2022/23. We then issued a disclaimer of opinion for 2023/24 on 28 February 2025 to comply with the statutory backstop date for the reasons set out in our Basis of Disclaimer Opinion below.

Work has been ongoing in the sector to develop guidance to help support appropriate audit procedures for audits where further work is required to build back assurance. In addition to Local Audit Rest and Recovery Implementation Guidance (LARRIGs) that were published in 2024 by the NAO, further guidance has now been published by the NAO (LARRIG 06 - Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions (e.g reserves balances where a disclaimer has been previously issued)). We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

The 2023/24 audit

In our *Basis of Disclaimer Opinion* section of our audit report in 2023/24 we reported:

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, investment properties, short-term debtors, short-term other

creditors, revenue and capital grant receipts in advance, income from capital grants and contributions, employee benefit expenses and the balance of, and movements in usable and unusable reserves for the year ended 31 March 2024.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Council's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Council's net assets and the split between usable reserves and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

The 2024/25 audit

On page 6, we set out what work we have been able and not been able to complete in respect of the 2024/25 financial statements as being able to audit the closing balance sheet is an essential element of rebuilding assurance.

We are yet to start our rebuilding assurance risk assessment. We plan to complete this risk assessment within the first part of 2026. Once this is complete, we will report separately the findings. The reason we have not started our rebuilding assurance risk assessment is because of the:

- impending backstop date;
- staff constraints and prioritisation of the 2024/25 audit;
- as noted on page 6 we have not been able to complete the work on balances related to 2024/25.



The statutory backstop and rebuilding assurance

Impact on our audit report on the financial statements

Given our work to rebuild assurance is not complete and due to the statutory backstop date of 27 February 2026, we have determined that there is insufficient time to obtain sufficient appropriate audit evidence over the split of useable and unusable reserves as at 31 March 2025 or 31 March 2024 ahead of the backstop, and, in our view, this is pervasive to the Council's financial position as at 31 March 2025.

Further to this there are a number of areas of the financial statements where we have determined we will be unable to obtain sufficient appropriate audit evidence, as we will be unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These are detailed on page 6.

As a result of the pervasiveness of the above, we intend to issue a disclaimer of opinion on the financial statements as a whole

Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion on the financial statements as a whole, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements, specifically we are responsible for reporting if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We also provide a summary of our findings in the commentary in this report.

Page 26 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2024/25.



The statutory backstop and rebuilding assurance

Work completed in 2024/25

Our audit plan, presented to you on 29 April 2025 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks in the pages overleaf, identifying the work we have and have not been able to complete.

Although we will be issuing a disclaimer of opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report. Our audit is not yet complete. We set out below the current status of our work. We will provide an oral update on the status at the meeting of the governance committee. Our conclusions will be discussed with you before our audit report is signed.

We note that those areas that we were not able to complete for the 23/24 audit namely payroll, investment property and the collection fund have been completed for the 24/25 audit with no issues arising.

Specifically in relation to 2024/25 we have completed our work on the following areas in addition to our planning and risk assessment work:

Significant risks

At the time of writing, we anticipate finalising our work over our significant risk areas, subject to outstanding final queries being provided by management. Our findings are set out on pages 9 to 21.

Other areas

At the time of writing, we anticipate finalising our work over all other audit areas, apart from those listed below, subject to outstanding final queries being provided by management – see page 7.

We have been unable to complete our work on the following areas:

- Split of usable and unusable reserves for the year ended 31 March 2025;
- The disclosed comparative figures for the Council's income and expenditure for the year ended 31 March 2024, and the comparative figures in the balance sheet as at 31 March 2024 as disclosed in the 'Basis of Disclaimer Opinion' section of our 2023/24 audit report (see page 4).

Our audit findings

Significant audit risks	Page 8- 17
Significant audit risks	Our findings
Valuation of land and buildings	We completed our planned procedures and we did not identify any material misstatements relating to this area.
Valuation of investment property	We completed our planned procedures and we did not identify any material misstatements relating to this area.
Management override of controls	Our work remains ongoing
Valuation of post retirement benefit obligations	We assessed the underlying assumptions as balanced and within our reasonable range.
Fraud risk from expenditure recognition	We completed our planned procedures and we did not identify any material misstatements relating to this area

Number of Control deficiencies	Page 39-44
Significant control deficiencies	1
Other control deficiencies	5
Prior year control deficiencies remediated	4

Outstanding matters

There are a number of outstanding matters we need to allow us to sign our audit report, including

- Management representation letter
- Finalise audit report and sign
- Journals testing in relation to management override of controls
- Pensions disclosures
- Collection fund

Audit risks and our audit approach

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, which has resulted in 20-25% of all operational assets revalued in the current year.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the valuer.

The value of the Council's land and buildings at 31 March 2025 was £348.4m, of which £46.7m was subject to valuation in year.



Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of the Council's valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Key:

Prior year Current year



Audit risks and our audit approach (cont.)

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, which has resulted in 20-25% of all operational assets revalued in the current year.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the valuer.

The value of the Council's land and buildings at 31 March 2025 was £348.4m, of which £46.7m was subject to valuation in year.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- Our testing did not identify any issues with independence, objectivity and expertise of Wilks Head & Eve LLP, the valuers used in developing the valuation of the land and buildings at 31 March 2025. We did not identify any issues in respect of the instructions provided to the valuation specialist by the Council.
- Our procedures over the assumptions used in the valuation were reasonable. The valuation is within the acceptable range suggested by our valuation specialists however is considered optimistic. As the valuation is within our acceptable range we do not propose an amendment to the financial statements.
- We have considered the methods used in undertaking the existing use value and depreciated replacement cost valuation and the methods were identified as acceptable..
- Our procedures to agree the impairment entries and the associated disclosures are complete. We have no issues to report as a result of this work.

Key:
 Prior year  Current year

Audit risks and our audit approach (cont.)

2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. The Council has a £51.8 million portfolio, primarily consisting of industrial estates/business parks.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

Our response

- We have performed the following procedures designed to specifically address the significant risk associated with the valuation:
- We critically assessed the independence, objectivity and expertise of the Council's valuers used in developing the valuation of the Council's investment property at 31 March 2025;
 - We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
 - We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
 - We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
 - We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement;
 - We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
 - Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Key:
 Prior year  Current year

Audit risks and our audit approach (cont.)

2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. The Council has a £51.8 million portfolio, primarily consisting of industrial estates/business parks.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

Our findings

- While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:
- Our testing did not identify any issues with independence, objectivity and expertise of Wilks Head & Eve LLP, the valuers used in developing the valuation of the investment properties at 31 March 2025. We did not identify any issues in respect of the instructions provided to the valuation specialist by the Council. You will remember that we were unable to complete our testing on investment property last year in advance of the backstop deadline but have completed the work in full for our audit of the year ended 31 March 2025.
 - Our procedures over the assumptions used in the valuation were reasonable. The valuation is within the acceptable range suggested by our valuation specialists however is considered optimistic. As the valuation is within our acceptable range we do not propose an amendment to the financial statements.
 - We have considered the methods used in undertaking the existing use value and the method was identified as acceptable.
 - Our procedures to agree the impairment entries and the associated disclosures are complete. We have no issues to report as a result of this work.

Key:
 Prior year  Current year

Audit risks and our audit approach (cont.)

3

Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Our response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluated the selection and application of accounting policies;
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments;
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual;
- In line with our audit plan, tested the operating effectiveness of controls over journal entries and post closing adjustments;
- We analysed all journals through the year using data and analytics and focus our testing on those with a higher risk.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

3

Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We have raised an overall deficiency regarding review and approval of transactions, which included the lack of evidence for approval of journals initially posted as unbalanced journals.
- Ideally unbalanced journals would not be possible in the financial system, but as the compensatory suspense account exists, it is recommended that evidence be retained of review of these journals that fall outside of the standard system.
- We identified 56 journals that met our high risk criteria. Management are currently working through the sample of journal entries & we will provide a further update if required.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

4 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that the post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surpluses and minimum funding are complicated and requires actuarial involvement.

Key:
 Prior year  Current year

Our response

We have performed the following procedures :

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice; and
- Considered the adequacy of the Council's disclosures in respect of the sensitivity to these assumptions; and
- Assessed the IFRIC 14 calculation and application for the asset ceiling and minimum funding requirements.

Audit risks and our audit approach (cont.)

4 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that the post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surpluses and minimum funding are complicated and requires actuarial involvement.

Key:
 Prior year Current year

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We concluded that controls in place to review the valuation were ineffective. Auditing standards requires controls to be designed with a certain level of recurrency and precision which is not part of management's process.
- We have assessed the overall assumptions used by management as balanced relative to our central rates and within our reasonable range. All individual assumptions were assessed as balanced and within our reasonable range except for CPI inflation which is assessed as cautious but with our reasonable range.
- We have confirmed that the Fund's appointed actuaries, both individual and firm, hold appropriate professional qualifications, being Fellows of the Institute of Actuaries, and are therefore qualified to perform actuarial valuations and prepare IAS19 disclosure reports.
- We have assessed IFRIC 14 calculation and management's assessment that minimum funding should be recognised on the balance sheet. We are satisfied with the net liability reported.
- We have recommended the Council to update the narrative disclosure on Virgin media case based on new developments
- Management are currently working through our disclosure recommendations & we will provide a further update if required.
- We have summarised our views over the key accounting estimates and management judgments in relation to the post retirement benefit obligations at page 22.

Audit risks and our audit approach (cont.)

5

Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not recorded in the correct accounting period



Significant audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This is not a desirable outcome for management.

We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2025-26 to mitigate financial pressures.



Our response

We have performed the following procedures in order to respond to the significant risk identified:

- We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We inspected a sample of invoices of expenditure, in the period around 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;
- We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded;
- We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and
- We performed a retrospective review of prior year accruals in order to assess the completeness with which accruals had been recorded at 31 March 2024 and considered the impact on our assessment of the accruals at 31 March 2025. We also compared the items that were accrued at 31 March 2024 to those accrued at 31 March 2025 in order to assess whether any items of expenditure not accrued for as at 31 March 2025 have been done so appropriately.

Audit risks and our audit approach (cont.)

5

Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not recorded in the correct accounting period



Significant audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This is not a desirable outcome for management.

We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2025-26 to mitigate financial pressures.



Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- Our work in this area has been fully concluded and we have not identified any manipulation over the accruals recorded within the period.
- Consequently, we consider that non-pay expenditure was not materially misstated.

Audit risks and our audit approach (cont.)

6

Adoption of IFRS 16

An inappropriate amount is estimated and recorded for lease liabilities and right of use assets



Other audit risk

- The Council has adopted IFRS 16 as per CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (2024/25) with an implementation date of 1 April 2024.

We anticipate the following challenges in the first year of implementation.

- Completeness of lease listing used in transition computations.
- Inadequate lease disclosures as per IFRS 16.
- Inaccurate computation of lease liabilities and right of use assets.
- Training needs for new/existing staff



Our response

We performed the following procedures in order to respond to the other audit risk identified:

- Obtained the full listings of leases and reconciled to the general ledger;
- Reviewed a sample of the lease agreements to determine the terms of the leases and confirmed correct classification;
- Reviewed the appropriateness of the discount rate used in the lease computations;
- Reviewed the transition adjustments passed by the Council; and
- Reviewed the disclosures made on the financial statements against requirements of IFRS16.



Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- Our work in this area has been fully concluded and we have not identified any material errors in the adoption of IFRS 16.

Audit risks and our audit approach (cont.)

7

Non-capital expenditure is inappropriately recognised as capital expenditure



Other audit risk

Although we have rebutted the presumed significant risk in relation to fraudulent expenditure recognition, capital accounting requirements are complex and may contain an element of judgement in determining which costs in a project can be capitalised and which need to be expensed.

Given the size of the Council's capital programme (£59.2 million estimated 24/25), we have identified an Other Audit Risk regarding revenue expenditure being inappropriately recognised as capital expenditure.



Our response

We performed the following procedures in order to respond to the other audit risk identified:

- Evaluated the design and implementation of controls for classifying expenditure as capital;
- Scanned the list of capital programme for schemes which could indicate an increased risk that the spend may be revenue in nature; and
- Tested a sample of capital expenditure incurred by the Council to ensure it is correctly capitalised.



Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- Our work in this area has been fully concluded and we have not identified any capital expenditure that was inappropriately recognised within the period.

Audit risks and our audit approach (cont.)

8

Introduction of a new payroll system



Other audit risk

The Council has introduced a new payroll system from 1 April 2024, therefore will have been in use for the full financial year.

There is a risk that new systems and processes could allow an elevated opportunity for fraud or error.

Internal audit also raised a number of issues with recommendations in relation to the new payroll system and we have taken note of their findings.



Our response

We performed the following procedures in order to respond to the other audit risk identified:

- Evaluated the design and implementation of controls for completing the payrun;
- Tested the operational effectiveness of these controls through a sample of starters and leavers;
- Reconciled the payrun to the general ledger and the payroll system to ensure accuracy; and
- Performed analytical procedures over the annual payroll number disclosed in the accounts, including reviewing pay increases and total headcount.

We also liaised with our IT audit specialists in advance of the final audit to confirm if any further procedures are required over the system change itself.



Our findings

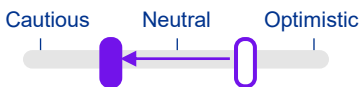
While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:





- Our work in this area has been fully concluded and we have not identified any issues within the payroll system which impacts the employee expenses total.
- You will remember that due to the introduction of this new system, we had challenges obtaining audit evidence from the old system on a timely basis for our audit last year and therefore were unable to complete our payroll work in the prior year audit. It is therefore good to see that our testing on the new system has not led to any issues.

Key accounting estimates and management judgements- Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement			Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates			Further comments
Land and Buildings Revaluation	Cautious	Neutral	Optimistic	360.3	(22.6)	Needs improvement	Neutral	Best practice	We have assessed the land and buildings valuation as neutral and within our reasonable range.
									
Investment Property Revaluation				51.8	(1.9)				We have assessed the investment properties valuation as within our reasonable range, towards the optimistic end.

Key:
Prior year Current year

Key accounting estimates and management judgements- Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

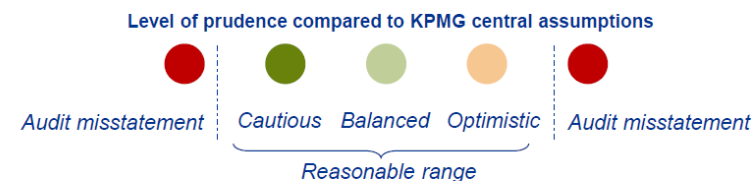




























Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
LGPS gross DBA Fair value of plan assets	<div><div>CautiousNeutralOptimistic</div></div>	405.0	8.8	<div><div>Needs improvementNeutralBest practice</div></div>	We have assessed the asset returns adopted by the Fund and the consistency of asset allocation and share of scheme assets year on year. The fair value was found to be neutral and within our acceptable range.
LGPS gross DBO Present value of obligations	<div><div></div></div>	443.0	(60.6)	<div><div></div></div>	Our actuarial specialists have assessed the overall assumptions used by management in valuing the pension liabilities. No issues were noted in the judgements made in the valuation of pension liabilities. The present value was found to be neutral and within our acceptable range (see next page).
LGPS IFRIC 14 Impact of asset & minimum funding on net position	<div><div></div></div>	30.3	30.3	<div><div></div></div>	Our actuarial specialists have assessed the IFRIC 14 calculation and management's view that minimum funding should be recognised at the year end. The IFRIC 14 assessment was found to be neutral and within our acceptable range.

Key:
 Prior year Current year

Key accounting estimates

Present value of defined benefit obligations



Overall assessment of assumptions for audit consideration								
							Balanced	
Underlying assessment of individual assumptions		Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG	Assessment	Key assumptions
Discount rate		AA yield curve			5.85%	5.75%		
CPI inflation		Deduction to inflation curve			2.90%	2.74%		
Pension increases		In line with CPI			2.90%	2.96%		
Salary increases		Employer best estimate			CPI plus 1%	In line with long-term remuneration policy		
Mortality	Base tables	In line with most recent Fund valuation			110%/105% (Males/Females) of the SAPS Series 3 tables	In line with best-estimate Fund experience		
	Future improvements	In line with most recent Fund valuation, updated to use latest CMI model			CMI 2023 projections model, 1.25% long-term trend rate and default other parameters	CMI 2023, 1.25% long-term trend rate and default other parameters		
Other demographics		In line with most recent Fund valuation			50% of the maximum available tax-free cash on retirement	In line with Fund experience		



Other matters

Narrative report

As Governance Committee members you confirm that you consider that the Narrative Report, and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Our responsibility is to read the other information, which comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon and, in doing so, consider whether, based on our financial statements audit work, the other information is materially misstated or inconsistent with the financial statements or our audit knowledge.

Due to the significance of the matters leading to our disclaimer of opinion, and the possible consequential effect on the related disclosures in the other information, whilst in our opinion the other information included in the Statement of Accounts is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We are yet to receive instructions from NAO regarding WGA.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

We have set out audit fees, as set by PSAA and fee variations on page 34.

We have not completed any non-audit work at the Council during the year.

Value for money

Value for Money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within our audit report on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor’s Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor’s Annual Report and a copy of the report is included within the papers for the Committee alongside this report.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified two risks of a significant weakness in the Council’s arrangements to secure value for money. Within our Auditor’s Annual Report we have set out our response to those risks.

Within our Auditor’s Annual Report we have set out recommendations in response to those significant risks.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	Two significant risks identified	Significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail is set out in our Auditor’s Annual Report.

Performance improvement observations

As part of our work we have identified 6 Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses – see page 39.

Significant Value for Money Risk



1 Financial resilience

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability.

Significant Value for Money Risk

Financial stress on the Council relies on tight budgetary constraints and limited scope for further significant overspend.

Our response

We will perform the following procedures:

1. Consider the Council's arrangements and structures to monitor and deliver a balanced budget;
2. Understand the process for identifying savings and other available levers to the Council if any;
3. Review recent budget monitoring and performance throughout the period and to date; and
4. Conduct interviews with senior management to understand the continuing financial stability of the Council.

Our findings

Findings

Similarly to 2023/24, the Council has a high reliance on council tax, which it historically increased by less than the maximum amount in previous years. Coupled with lower reserves to rely on, largely national pressures have hit the Council quicker than some others and have overwhelmed the Council's saving plans.

It is only the receipt of Exceptional Financial Support (EFS) which averted the need to issue a s114 Notice in year.

Additional review confirms that many of the core pressures on the Council's budget are familiar to all unitary Councils in the national context. It also suggests that current savings and transformation plans may be insufficient in the short term.

Although the plans in place are showing results in individual directorates in the specific areas they are targeted, we continue to recommend that it requires a more ambitious strategy. This view was confirmed by the recent Financial Resilience review, undertaken by CIPFA in November 2025.

Findings cont.

Individual directorates are highlighted as areas with overspend, but the Council should act more centrally.

Experience with other organisations in a similar context suggests that a further centralised approach to savings could be helpful, whereby overspend is reviewed and mitigated more holistically at a Council-level on a frequent basis. This could be resolved through an additional Board or equivalent meeting, with authority to pull levers quickly, centrally and cross-directorate to mitigate overspend.

This would require organisational buy-in to understand the tough choices that may be required to balance to the budget despite increasing pressures.

Conclusion

Based on the findings above we have determined that there remains a significant weakness in arrangements relating to financial sustainability.

Significant Value for Money Risk



2

Dedicated Schools Grant deficit

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

Significant Value for Money Risk

The scale of the DSG deficit may not have been appropriately recognised

Our response

We will perform the following procedures:

1. Consider the Council's plans in place to mitigate the increasing cost;
2. Consider the Council's position relative to other unitary authorities; and
3. Review future expected deficit and the impact on the Council.

Our findings

Findings

In 2024/25, there was an overspend of £6.68 million on the Dedicated Schools Grant (DSG). Discussions with the Authority identified that there is not currently a robust deficit recovery plan in place for DSG, including the identification of future expected deficits and the impact on the Council.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to financial sustainability.

Value for Money: Recommendations



The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	<p>Issue</p> <p>There is not a robust deficit recovery plan in place for the Dedicated Schools Grant (DSG) deficit. While this is a national issue, there needs to be a collective responsibility for returning to a sustainable position.</p> <p>Impact</p> <p>The lack of robust plan could result in larger than expected future deficits where the scale of the DSG deficit may not have been appropriately recognised. This may then have a knock on impact on the reserves and further reduce the Council's financial position.</p> <p>Recommendation</p> <p>The Council should implement a robust deficit recovery plan for DSG which includes the identification of future expected deficits and the impact on the Council.</p>	<p>Management acknowledges that the DSG deficit will continue to increase. A key driver is a shortfall in High Needs Block (HNB) funding. The DSG deficit is discussed at the Heads Funding and Schools Forum on a regular basis and strategies for deficit reduction are considered within both forums.</p> <p>Toby Bradley (Service Lead – Financial Management)</p> <p>Due date – 30 April 2026</p>

Value for Money: Recommendations



Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2026
1	<p>Issue</p> <p>The Council's reserves position is critically low for maintenance of seamless on-going services</p> <p>Impact</p> <p>The Council is increasingly vulnerable to overspends in services and may need to request additional funding via an exceptional financial support request to avoid a future section 114 scenario.</p> <p>Recommendation</p> <p>The Council should be bolder and more urgent in their Transformation programme with powers and levers to challenge and mitigate overspends on a Council-wide, cross-directorate basis</p> <p>This could be supported by a focused, centralised, regular 'emergency spend control' forum, with powers and levers to challenge and mitigate overspends on a Council-wide, cross-directorate basis.</p>	<p>The Council has had a spend control panel established since July 2023 - the Financial Review Panel (FRP). This initially reviewed all expenditure over £1,000. Those limits have subsequently been increased, but the FRP continues to meet weekly to review and approve agency and recruitment activity. The Council is moving into the second phase of the Transformation Programme, using external assurance to highlight greater levels of savings that can be delivered to support the budget position.</p> <p>In January 2025, the Council submitted a request to secure additional support of £16m within Central Government's Exceptional Financial Support framework.</p> <p>Of the total requested, £13m is intended to be utilised in the 2024/25 financial year, with £3m to be applied during 2025/26. The primary requirement for this request is the Council's need to replenish usable reserves. This request was approved in February 2025.</p>	<p>KPMG</p> <p>KPMG are still assessing the impact of the Transformation Programme in the current phase and will seek a response from management should the issue remain open in the finalised report.</p>

Value for Money: Recommendations



#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2026
2	<p>Issue</p> <p>Significant weakness in arrangements for financial sustainability</p> <p>Impact</p> <p>The Council has some of the lowest reserves and highest debt to asset ratios in England. It has debts of £62 million associated with properties that are only worth £51 million. The Council incurred a small overspend in 2022/23 and is forecasting an overspend again in 2023/24, despite spending controls having been adopted. For the next four years, the Council forecasts a £30 million budget gap.</p> <p>Recommendation</p> <p>The Council must monitor its financial position and the impact of spending controls closely. As a priority, the Council should consider all possible options, including those that focus on People Directorate contract spend but also other areas of the revenue account where efficiencies may be possible.</p> <p>Options under current discussion include disinvestment from capital assets with negative equity values. It will be important that any exit strategy adopted by the Council is supported by professional advice, reviewed regularly, and is subject to appropriate scrutiny and challenge.</p>	<p>The Council continues to monitor spending closely with high levels of control and has a Transformation programme in place to help seek out further efficiencies. The Financial Review Panel remains in place through into the 2024-25 financial year. Any property disposals from Commercial Property come to the Executive for approval and are subject to professional external advice.</p> <p>January 2025</p> <p>Financial monitoring is established as a quarterly routine. The Council's Executive Board continues to formally approve all asset disposals within the Commercial Property Portfolio. The Financial Review Panel convenes on a weekly basis to review establishment spend and agency recruitment expenditure.</p>	<p>KPMG</p> <p>Issue considered still open as the budget challenges remain.</p>

Appendix

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KPMG's Audit quality framework	48

Required communications

Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	<input checked="" type="checkbox"/> OK There were no adjusted audit differences.
Unadjusted audit differences	<input checked="" type="checkbox"/> OK The aggregated surplus impact of unadjusted audit differences would be nil. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 38.
Related parties	<input checked="" type="checkbox"/> OK There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	<input checked="" type="checkbox"/> OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing on 29 April 2025..
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> OK No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	<input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters..

Type	Response
Significant difficulties	<input checked="" type="checkbox"/> OK No significant difficulties were encountered during the audit.
Modifications to auditor's report	<input checked="" type="checkbox"/> X Our audit opinion will be disclaimed.
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	<input checked="" type="checkbox"/> OK No matters to report. The engagement team and the firm have complied with relevant ethical requirements regarding independence.
Accounting practices	<input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> OK The significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	<input checked="" type="checkbox"/> X We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We will issue our certificate once we have received confirmation from the National Audit Office that their audit of the Whole of Government Accounts is complete and therefore all our work in respect of the Authority's Whole of Government Accounts consolidation pack is complete.
Whole of government accounts	<input checked="" type="checkbox"/> OK As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack. We are yet to receive instructions from NAO regarding WGA.

Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the table below (note all fees are exclusive of VAT).

Entity	2024/25 (£'000)	2023/24 (£'000)
Scale fee as set by PSAA	297	272
Amount of scale fee to be charged for the work completed	297	272
Standard fee variation approved by PSAA / subject to be PSAA approval *	TBC	7
Fee variation subject to be PSAA approval	TBC	28
Buildback fee variation approved by PSAA / subject to be PSAA approval	-	-
TOTAL FEE PAYABLE	297	307

Expected fee variations

Any work completed outside of our PSAA contractual position is flagged as a variation and additional fees are proposed and challenged by the PSAA. We expect to submit fee variations to include the following areas:

- New payroll system work
- IFRS 16 implementation
- Disclaimer of opinion
- VFM significant risk

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- Note some fees are subject to PSSA determination and will therefore be confirmed on that determination



Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Governance Committee members

Assessment of our objectivity and independence as auditor of West Berkshire Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf

Confirmation of Independence (cont.)



Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £000	Value of Services Committed but not yet delivered £000
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	-	38*

* Provisional figure based on prior year. Final fee to be agreed with our grants team

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.12: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2024/25
	£'000
Scale fee	297
Other Assurance Services	38
Total Fees	335

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Governance Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Governance Committee of the Council and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

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KPMG LLP



Uncorrected audit misstatements



Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported uncorrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Governance Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are ‘clearly trivial’, which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor’s report, individually or in aggregate. As communicated previously with the Governance Committee, details of all adjustments greater than £635k are shown below:

Uncorrected audit misstatements (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Investment Property	-	697	KPMG identified a formula error within the fair value workbook provided by the valuer for Unit 13M&N (investment property). The total capital value was showing as nil, however it was meant to pull through as £696,970.
	Cr Usable reserves	-	(697)	
Total		-	-	



Control Deficiencies



Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	1	Unauthorised approvals of capital grants From our process understanding completed for the capital grants, a member of the grants team confirmed that they often broke transfers into smaller amounts to bypass the approval required from the head of finance, in order to speed up the approval process. We recommend that training is provided to the capital grants team to ensure that the appropriate procedures and approval process is followed.	The team member referenced within the external auditor’s finding is no longer a Council employee. The internal guidance pertaining to this accounting area is that any journal concerning a transactional amount above £50,000 must be approved by senior management prior to processing within Agresso (Unit4). However, at year-end, as most capital grant transfers are above this journal threshold, all funding allocated is reconciled to the Unit4 ledger in summary document form once all journals have been transacted. Shail Vitish (Senior Finance Manager – Capital and Treasury) Due date – 31 March 2026

Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	2	<p>Management review/authorisation over expenditure and accruals</p> <p>As part of our expenditure testing, we identified 5 transactions that had been authorised outside of Agresso (Unit4) - the accounts payable system. As such the Council were not able to provide evidence to confirm whether the users which authorised the payments outside of the system, had the appropriate approval limits as per the authorisation matrix.</p> <p>We also noted that there was no formal evidence of review of the computations for accrual journals within the system.</p> <p>We recommend that expenditure transactions are approved within the system and that a formal review process is implemented for accrual journals.</p>	<p>For the 2025/26 financial year, Finance will broaden the management reviews of such expenditure and accrual accounting items. All year-end accruals processed will have comprehensive supporting documentation attached within Unit4. All team members processing accruals will be required to review all backing documentation prior to approval in Unit4. The Council's Section 151 Officer will issue a communication to all finance teams regarding this issue.</p> <p>Toby Bradley (Service Lead – Financial Management)</p> <p>Due date – 31 March 2026</p>
3	2	<p>Investment property rent reviews</p> <p>As part of our investment properties testing, we identified four rent reviews that were due to be undertaken in previous financial years that remained outstanding in 2024/25. Further to this, there is also no investment property policy/ procedure document in place to ensure that the rent reviews are completed on a timely basis.</p> <p>We recommend that a procedure document is created for the investment properties to ensure that rent reviews are undertaken before their due date.</p>	<p>Where Council properties are externally managed, the appointed third-party agent will monitor all pending rent review dates within the scope of an extended time horizon. Upcoming reviews are subsequently discussed at Council/managing agent meetings and reported quarterly to Property Investment Board (PIB). The Council is currently in the process of updating the property database for all rent review dates assigned to sites that are managed internally. The enhanced database is intended to permit Council officers to more easily identify and handle upcoming rent review dates.</p> <p>Richard Turner (Property Service Manager)</p> <p>Due date – 30 April 2026</p>
4	2	<p>Management review of actuarial assumptions</p> <p>The Actuary assumptions are reviewed annually by Governance and Audit committee as part of the 'Closedown Matters' report. However, management do not challenge the assumptions used or review the reasonableness of the calculations performed.</p> <p>We recommend that a formal review of the actuarial assumptions are undertaken by management.</p>	<p>Management appreciates the importance of challenging the actuary's principles and assumptions in relation to the derivation of the year-end pension scheme liability. In respect of the 2024/25 year-end, Finance met in April 2025 to review the first draft of the actuary's report. Selected questions were subsequently returned to the actuary and the Council's payroll section, examples including the scrutiny of member data composition and the salary increase % assumption applied. The Council's position is that a reputable actuary must be procured as the associated accounting area is highly complex, and the engagement of an additional suitably-qualified third party to review the year-end work of the actuary is not deemed to be cost-effective.</p> <p>Shail Vitish (Senior Finance Manager – Capital and Treasury)</p> <p>Due date – 31 May 2026</p>



Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
5	3	<p>Authorisation for payroll BACS</p> <p>There was no documentation of the payroll BACS authorisation for five months of the 2024/25 financial period.</p> <p>We recommend that review and authorisation of the payroll BACS is carried out monthly and formally documented.</p>	<p>The Payroll and Benefits Manager role was vacant for a period during the year reviewed. All monthly payroll BACS reports are now reviewed by the Payroll and Benefits Manager, with this authority delegated to an appropriate post in the event of absence.</p> <p>Maddy Roberts (Payroll and Benefits Manager)</p> <p>Due date – 28 February 2026</p>
6	3	<p>Absence of process to verify if equipment is still in use</p> <p>We observed that management do not perform periodic reviews to confirm whether fully depreciated equipment remains in use. Instead, depreciation is calculated automatically according to policy, indicating the absence of a control activity for asset usage verification.</p> <p>We recommend that periodic reviews are undertaken to confirm whether fully depreciated equipment are still in use by the Council.</p>	<p>For practicality purposes, certain IT equipment is capitalised in bulk rather than by individual asset, a relevant example being the stock of laptops. In respect of this recommendation, management's understanding of the auditor's advice is that the Council should match the asset batch cost capitalised in Unit4 against the physical batch whose useful economic lives have ceased. Management notes that the purchase cost total attached to such assets is insignificant in financial value when compared to other capital items in the fixed asset register, and immaterial when taken against overall asset amounts in the year-end Balance Sheet.</p> <p>Shail Vitish (Senior Finance Manager – Capital and Treasury)</p> <p>Due date – 31 March 2026</p>

Control Deficiencies (cont.)

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding:
4	4	0

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (January 2026)
1	1	<p>Lack of evidence for review or approvals in processes</p> <p>We were unable to evidence review and/or approvals regarding: PPE processes such as revaluation journals, depreciation and the Fixed Asset Register reconciliation review; secondary authorisation of payroll after manual adjustments had been made; and clearance of unbalanced journals in the suspense codes (albeit the total of unbalanced journals is not at all material)</p> <p>We also were unable to evidence that appropriate authorisation was provided for a number of expenditure transactions, whereby approval was 'external to the system'. There is additionally no formal review assessing the appropriateness of accruals.</p> <p>There is a risk that approvals and reviews in these areas are not being adequately performed allowing the opportunity for error or fraud through lack of oversight of transactions.</p> <p>We also noted anecdotal evidence from one of our walkthroughs that larger transactions were being split up in the system in order to accelerate approval, circumventing the current approval policy.</p> <p>We recommend that the Council review its processes and ensure the relevant reviews and approvals can be evidenced.</p> <p>We recommend that the Council issue firmer guidance to all staff members capable of accessing the financial system around appropriate authorisation and undertake a random sample of transactions (perhaps those around the authorisation limit or posting to the same coding) on a semi-regular basis to ensure the guidelines are followed.</p>	<p>The criticality of management ensuring that effective journal authorisation and review controls are embedded within the finance system will be reiterated to individual system users.</p> <p>Management has confidence that a journal review process has been formulated and is in operation for key processes, these including Treasury Management accounting items (whereby only suitably qualified and experienced team members approve postings following the receipt of adequate backing documentation) and PPE journals. However, for selected PPE sample items, a complete suite of authorisation evidence could not be readied for the external auditor.</p> <p>Richard Quayle (Service Lead – Financial Reporting and Property)</p> <p>Due date – 31 March 2025</p>	<p>Management acknowledged this 2023/24 year finding in January 2025, and the implications were borne in mind by the appropriate finance teams in advance of the commencement of the subsequent financial year. Management is satisfied that any relevant observations that remain valid have been itemised as 2024/25 (current year) recommendations in the first half of this Control Deficiencies section.</p>

Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (January 2026)
2	2	<p>Limited access to the legacy payroll system</p> <p>We understand the Council has limited access to its legacy payroll system, whereby standard reports by individual and/or month are unable to be run without significant backend IT intervention, which hampered the audit progress significantly in this area.</p> <p>There is a risk that lack of historical access will hamper the ability to respond to internal or external fraud review surrounding staff pay.</p> <p>We recommend the Council maintain more effective historical records i.e. building the core payroll reporting that would allow effective internal/external inspection.</p>	<p>Management accepts that the legacy payroll system data presented for external audit review in 2023/24 was not consistent with specific reports made available in past financial years. The Council will ensure that appropriate reports and data downloads are provided for the 2024/25 external audit review.</p> <p>Maddy Roberts (Payroll and Benefits Manager) Due date – 31 March 2025</p>	<p>As a response to last year's assertion by KPMG, payroll management ensured that a detailed query review process was established for the 2024/25 financial year. This permitted the identification and monitoring of open actions, completed actions and the confirmation and revision of individual due dates. This 2023/24 recommendation has not been reissued for 2024/25.</p>
3	2	<p>Limited management review of property valuation</p> <p>We were unable to evidence management review or challenge of the assumptions used in the valuer's calculations. We also experienced some difficulty in evidencing the relevant data inputs into the valuer's calculation, which ideally should be readily available from the Council, who provide these to the valuer. We understand this is largely due to the investment property system in place.</p> <p>There is a risk that material errors in the valuation would not be identified, resulting in significant changes to the accounts in future periods and/or properties that no longer exist or are erroneously classified will be revalued.</p> <p>We recommend that management and the relevant internal experts challenge and retain evidence of this challenge as part of the annual valuation process.</p>	<p>In respect of the 2024/25 financial year, the Council will independently scrutinise the asset valuation reports collated by the external property specialist. This review will aid in ensuring the completeness and accuracy of the financial and non-financial data supplied by the specialist. It should be noted that authorisation and review processes were in existence during 2023/24, but management accepts the recommendation to formalise and strengthen such controls. It is acknowledged that the full authorisation evidence requested by the external auditor could not be supplied.</p> <p>Richard Quayle (Service Lead – Financial Reporting and Property) Due date – 31 March 2025</p>	<p>To address this prior year finding, Finance attempted to expand the internal review processes upon receipt of the year-end property valuation reports. In respect of the auditor's verification of title deeds, no repeat occurrences have been noted within the 2024/25 audit.</p>
3a	2	<p>Title deeds are not regularly checked and reviewed</p> <p>We obtained the title deed for one of the revalued assets and noted that the asset is not owned by the Council so it should not be shown on the asset register.</p> <p>We recommend that title deeds are reviewed on a cyclical basis to ensure the Council's financial position is accurate.</p>		

Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (January 2026)
4	3	<p>Bank reconciliation not being performed correctly</p> <p>Two of the bank reconciliations reviewed in year showed preparation dated after the review date, which could be an indication that these were not reviewed correctly after preparation.</p> <p>There is a risk that balances available to the Council are recorded incorrectly and could feed inaccurate financial reporting.</p> <p>We recommend that bank reconciliations are performed and reviewed by appropriate members of staff in good time to ensure accurate financial information is available to decision makers.</p>	<p>Management recognises that a key authorisation control is the timely preparation and review of month-end bank account reconciliations and will recommunicate the importance of this principle to the affected teams and individuals within Finance.</p> <p>Richard Quayle (Service Lead – Financial Reporting and Property) Due date – 31 March 2025</p>	<p>Since the finding was issued in January 2025, it has been considered within all subsequent month-end bank reconciliations prepared. No further instances have been identified by the auditor.</p>

FRC's areas of focus

The FRC released their **Annual Review of Corporate Reporting 2023/24** ('the Review') in **September 2024** having already issued three thematic reviews during the year.

The Review and thematic reviews identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



Key expectations for 2024/25 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and Council/Authority-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continues to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the Council/Authority's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent Council/Authority investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the Council/Authority's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the ['Offsetting in the financial statements'](#) thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a Council/Authority is also applying the CIPFA Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and Council/Authority specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Council/Authority should ensure sufficient explanation is provided of material financial instruments, including Council/Authority -specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the Council/Authority. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.



FRC's areas of focus (cont.)

Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover Council/Authority - specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the Council/Authority.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

- | | | |
|------------------------------|--------------------------------|--------------------|
| Industrial metals and mining | Construction and materials | Food producers |
| Retail | Gas, water and multi-utilities | Financial Services |

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight (and Risk) Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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Internal Audit Update Report – Quarter Two 2025/26

Committee considering report:	Governance Committee
Date of Committee:	27 January 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Julie Gillhespey (Audit Manager)

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 2025/26.
- 1.2 The Global Internal Audit Standards (GIAS) in the UK Public Sector, 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(s)

No recommendation is made, the report is to provide the Governance Committee with an update on Internal Audit Work as at the end of Quarter Two 2025/26.

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 control weaknesses in systems and procedures and making recommendations to provide mitigation. The aim of which is to help ensure that services and functions across the Council achieve their goals and

	targets, and the organisation as a whole meets its plans and objectives.			
Property:	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 2025/26.
- 4.2 The Global Internal Audit Standards (GIAS) in the UK Public Sector, 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 was one corporate audit completed during the period which was given a limited assurance opinion.

4.5 Emerging Issue to highlight to Committee:

- (a) Work undertake for the period has identified an issue of concern. It relates to the audit of School Budget Deficit Management and Oversight, and the depletion of the Schools Reserve Fund, which we estimate is likely to go into deficit next financial year (current estimate is a deficit of £0-5m).
- (b) The School Reserve Fund is used to hold the individual school year end balances, and cannot be used for other purposes by the Council. However, should this School Reserve Fund go into deficit, any shortfall would need to be met from the Council's General Reserve Fund. There is an increasing number of schools with a deficit balance as well as a reducing surplus balance, the impact of both is a reduction in the School Reserve Fund balance. We noted that the potential for the School Reserve Fund to go into deficit in the near future has not been factored into any financial forecasting.
- (c) The issue has been raised with senior officers so timely remedial action can be taken with the introduction of financial forecasting for the School Reserve Fund. The increasing number of schools going into financial difficulty is a wider issue than the one being raised here, and work to address these issues is already being undertaken, with improvements being made over the last year. However, the implementation of forecasting of balances for the School Reserve Fund will assist in further developing operational and strategic approaches to help manage the situation.

- (d) The outcome of the full audit will be included in the update report to Committee once completed.

- 4.6 The Audit Team has an in-service reportable performance target to achieve at least 80% of the audit plan for the year. As at the end of Quarter Two, the projected year end figure is 96%. This is the same projection as at the end of Quarter One, and continues to be higher than usual at this stage of the year, the main reason continues to be a lower level of annual leave taken to date.

5 Supporting Information

Introduction/Background

- 5.1 For each piece of assurance work undertaken the report provides an audit assurance opinion on the effectiveness of governance, risk management and control in the area under review.
- 5.2 An assessment of the number of reviews in each opinion category is the key factor used to determine the Internal Audit annual assurance opinion. Descriptions of the assurance opinion ratings used are detailed as follows:

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.

- 5.3 Appendix A to this report sets out the audit work that has been finalised this quarter. The table below shows the breakdown of completed audits by opinion given. For this reporting period there was one completed corporate audit given a less than reasonable assurance opinion.

Audit Type	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Corporate Systems		1	2	3
Schools			1	

- 5.4 We carry out a follow-up review for all audits given a less than reasonable assurance opinion. We use three categories to provide a conclusion on the level of progress with implementing agreed recommendations, **Fully Implemented**, **Satisfactory** (no issues of concern still needing to be addressed), and **Unsatisfactory** (large number of recommendations outstanding and/or weaknesses of concern not addressed). Appendix A includes the two school follow-up reviews that were finalised in the quarter, the following table shows the progress opinion.

Follow-up Type	Unsatisfactory	Satisfactory	Fully Implemented
Corporate Systems			
Schools		2	

5.5 Limited Assurance Opinion Report - Section 17 Support

The key areas identified that require improvements are as follows:-

- The procedures and guidance require updating, to include requirements for means-testing, additional details regarding Panel approval, the use of S.17 funds, written agreements and the provision of supporting documentation.
- The Service Commissioning Form (SCF) and Accounts Payable forms should require details to be included where costs of assistance exceed the reasonable / expected levels or are for indeterminate timeframes.
- From our sample checks we noted the required supporting documentation was not always completed/retained. In addition, authorisation was not always appropriate.
- We also found that it was not always possible to ascertain if the payments were supposed to be a one- off or ongoing, as there was either a lack of supporting information or end dates were not always agreed / recorded.
- There was ambiguity relating to the types of expenditure that can be charged to S.17 cost centres, and costs incurred are regularly exceeding the budget allocations.

For context the expenditure incurred for S17 in 2024/25 was approx. £63k.

- 5.6 Details of the audit work in progress and the stage reached are set out at Appendix B. This includes 3 audits still in progress from last financial year, two of which are at the draft report stage and therefore almost complete, there was an agreed postponement for the third. For context, where work is commenced late in the last quarter of the year, it will inevitably roll into the next year to be completed. Also, 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. As a small team, we also need to react to emerging changes in risk during the year, for example suspected fraud, requests for unplanned work and investigations, as well as

audit advice, which may require a reprioritisation of work, and result in delays in the planned work already commenced.

- 5.7 Progress made against the Anti-Fraud Work Plan is set out at Appendix C.
- 5.8 In relation to corporate audits, Appendix D gives further detail to support the audit report opinion, setting out the scoping of each audit as well as the number and significance of recommendations made. Appendix E sets out a visual presentation to support the audit report opinion in the format of an audit risk heatmap.
- 5.9 The Audit Team has an in-service reportable performance target to achieve at least 80% of the audit plan for the year. As at the end of Quarter Two the projected year end figure remains at 96%, which as mentioned in the Quarter One report is higher than usual at this time of year. One of the key reasons is a lower level of annual leave taken during the year to date, this will even out over the next two quarters. There is also going to be a team vacancy in the next few months, this will also reduce the teams' performance percentage as it is based on number of occupied posts when the plan is compiled, no allowance has been made for vacant posts.

Proposals

This report is to update the Governance Committee of the progress of Internal Audit work at the end of Quarter Two 2025/26.

6 Other options considered

The quarterly update report for the Committee is required to comply with the Council's Internal Audit Charter and professional good practice.

7 Conclusion

There was one corporate audit completed during the period given a less than reasonable assurance opinion. The volume of limited assurance reports therefore continues to be low, and there are no concerns that need to be raised with the Committee. There was one issue of concern that emerged during the period that has been reported to Committee so they are made aware of the issue in a timely manner whilst the audit is still in progress.

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
- 8.4 Appendix D - Completed Audits – Supporting Information
- 8.5 Appendix E - Completed Audits – Audit Risk Heatmaps

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 ☒

Wards affected: All

Officer details:

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Job Title: Audit Manager
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E-mail: julie.gillhespey@westberks.gov.uk

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1) **COMPLETED AUDITS**

Directorate/Dept/Service	Audit Title	Overall Opinion
Corporate		
None		
Resources		
Finance, Property and Procurement	Council Tax	Reasonable Assurance
People		
Adult Social Care	Client Financial Assessments	Reasonable Assurance
Children's Social Care	Initial Referral and Assessment	Substantial Assurance
Children's Social Care	Section 17 Support	Limited Assurance
Place		
Environment	Public Transport	Substantial Assurance
Development and Housing	Migration – Resettlement Schemes	Substantial Assurance
Schools		
Secondary	Willink	Reasonable Assurance

NOTE

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

2) **COMPLETED FOLLOW UPS**

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Overall Opinion - Report</u>	<u>Opinion - Implementation progress</u>
Schools			
Primary	Long Lane	Limited Assurance	Satisfactory
	Bucklebury	Limited Assurance	Satisfactory

3) **COMPLETED ADVISORY REVIEWS/OTHER WORK**

Directorate/Dept/ Service	Review Title
HR	Grievance Investigation

1) CURRENT AUDITS

Corporate/Directorate/ Service	Audit Title	Current Position of Work	Audit Plan Year *
Corporate			
Finance, Property and Procurement	Procurement Cards	Draft Report Issued	2024/25
Corporate	Income Collection Spot Checks	Visits in Progress	2025/26
Transformation, Customer and ICT	Transformation	Background	2025/26
Resources			
Finance, Property and Procurement	Asset Management Strategy	Background	2025/26
Finance, Property and Procurement	Accounts Payable	Draft Report Issued	2025/26
Finance, Property and Procurement	Treasury Management	Ready for Review	2025/26
Finance, Property and Procurement	Fee/Grant Income Recording and Monitoring	Background	2025/26
Finance, Property and Procurement	Brokerage - Care Commissioning	Background	2025/26
Strategy and Governance	Recruitment (Talent Attraction) and Retention	Draft Report Issued	2025/26
Strategy and Governance	Land Charges	Testing	2025/26
Strategy and Governance	Coroners' Service (Joint Service Arrangement across Berkshire)	Background	2025/26
People			
Education and SEND	Personal Budgets (Direct Payments)	Draft Report Issued	2024/25
Education and SEND	Dedicated Schools Grant (DSG)	Testing	2024/25
Education and SEND	School Admissions Policy	Background	2025/26

Corporate/Directorate/Service	Audit Title	Current Position of Work	Audit Plan Year *
Adult Social Care/Procurement	Assessment of Need/Purchase of Care - Residential	Draft Report Issued	2025/26
Adult Social Care	Three Conversations Model	Testing	2025/26
Children's Social Care	Separated Children (Unaccompanied Asylum-Seeking Children)	Ready for Review	2025/26
Children's Social Care	Guardianship/Child Arrangement Orders	Testing	2025/26
Education and SEND	Central Management and Oversight of School Budget Deficits	Testing	2025/26
Place			
Development and Housing	CIL	Background	2025/26
Community Services	Public Protection Partnership - Health & Safety/Trading Standards	Background	2025/26
Community Services	Shaw House Operations	Background	2025/26
Schools			
Primary	Winchcombe	Report being Drafted	2025/26

* Work relating to last year – there are 3 audits ongoing from last year, 2 of these are at the draft report stage where we are waiting for responses from the service. For the third, the audit was put on hold when the service had staffing absences and could not support the audit, this has now resumed.

2) CURRENT ADVISORY REVIEWS/INVESTIGATIONS AND OTHER WORK

Audit/Review Title	Current Position of Work
None	

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit Title
Resources	
None	
Place	
None	

People	
Children's Social Care	Child Care Lawyers
Schools	
None	

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Anti-Fraud Work Plan**(Drawn together from entries in the Audit Plan for 2025/26)**

<u>Audit Name</u>	<u>Work Focus</u>	<u>Update Position (End of September 2025)</u>
National Fraud Initiative (NFI) Investigation Work	Review of data matches to assess whether fraudulent.	New data match reports received and now being reviewed by Audit/relevant services. (This is a large/time consuming exercise that is ongoing during the year.)
Income Collection Spot Checks	Spot checks on services where cash/income is collected direct from customer. The audits will check that income has been fully and accurately recorded and received.	Visits in progress
Shaw House	Purchasing, income collection and recording.	Background
Community Infrastructure Levy	Effectiveness of planning approval and application of charges/exemptions.	Background
Parking	Income collection and recording processes and reconciliations to the parking machine ticket information.	Not commenced, planned for Quarter 4
Public Transport	Income collection and recording processes for the transport run in-house.	Completed
Land Charges	Income collection and recording processes for the searches the Council is responsible for managing.	Testing
Brokerage/Care Commissioning Placement Processes	Provider selection/client placement decisions may not be made appropriately.	Background
Contract Letting/Monitoring – Care Packages	Contracts may be awarded inappropriately/not in line with legislation and/or Council Contract Rules.	Not commenced planned for Quarter 4

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1) COMPLETED AUDITS – FURTHER DETAIL TO SUPPORT THE REPORT OPINIONS

Directorate / Service	Audit title	Overall Assurance Opinion	Audit Scoping Objective(s)	Number of Recommendations per Significance Category			
				Fundamental	Significant	Moderate	Minor
Finance, Property and Procurement	Council Tax	Reasonable Assurance	1) To ensure that bill production is accurate, complete and within the prescribed timetable and that bills are sent to each property on the Council Tax database. 2) To ensure that there are adequate procedures in place for the processing and recording of discounts and exemptions. 3) To ensure that procedures are in place to collect all monies efficiently, pay refunds correctly and reconcile SX3 transactions with the general ledger. 4) To ensure that recovery and enforcement action is consistent, timely and the use of Enforcement Agents is formalised, effectively monitored and managed.	0	0	5	3
Adult Social Care	Client Financial Assessments	Reasonable Assurance	1) To ensure that Council policies and associated procedures are in accordance with the Care Act 2014 in respect of assessment of client contributions to cost of care. 2) To ensure that there are effective procedures for the assessment, billing, recovery and accounting for contributions due and paid. 3) To ensure that there are effective procedures in place for Deferred Payment Agreements (residential care).	0	0	2	8
Children's Social Care	Section 17 Support	Limited Assurance	1) To ensure that the Council has established a policy and associated procedures for the provision of advice and financial support made under Section 17 of the Children Act 1989, which are in line with government legislation/national guidance. 2) To ensure that the Service has established effective procedures for the allocation, recording and monitoring of the use of Section 17 payments and the associated budgets.	0	0	7	1

APPENDIX D

Directorate / Service	Audit title	Overall Assurance Opinion	Audit Scoping Objective(s)	Number of Recommendations per Significance Category			
				Fundamental	Significant	Moderate	Minor
Children's Social Care	Initial Referral and Assessment	Substantial Assurance	1) To ensure that threshold guidance, referral criteria and pathways from the 'front door' are clearly defined and meet statutory guidance, and that referral processes within the working model are operating effectively. 2) To ensure that threshold and referral guidance, and risk assessment tools are shared with safeguarding partners to facilitate effective use of the working model. 3) To ensure that the Service uses appropriate tools and processes to analyse and evidence the effectiveness of the referral framework.	0	0	2	4
Environment	Public Transport	Substantial Assurance	1) To ensure that there is effective governance under the Enhanced Partnership, along with internal procedures to monitor and report progress against the BSIP both internally and to the DfT. 2) To ensure that there are effective procedures for the allocation of funding and monitoring of expenditure under the BSIP and BSOG, including contract tendering. 3) To ensure that there are effective operational procedures in place to monitor the quality of supported bus services provided by external operators.	0	0	2	1
Development and Housing	Migration – Resettlement Schemes	Substantial Assurance	1) To ensure that there are effective processes for claiming, receiving and utilising resettlement support funding. 2) To ensure that there are transparent processes for offering, maintaining and ending tenancies in the LAHF funded properties. 3) To ensure that there are effective processes for monitoring the performance and value of commissioned support services.	0	0	0	0

Council Tax

Impact	5					
	4					
	3					
	2					
	1					
		1	2	3	4	5
		Likelihood				

1

1) To ensure that bill production is accurate, complete and within the prescribed timetable and that bills are sent to each property on the Council Tax database.

2

2) To ensure that there are adequate procedures in place for the processing and recording of discounts and exemptions.

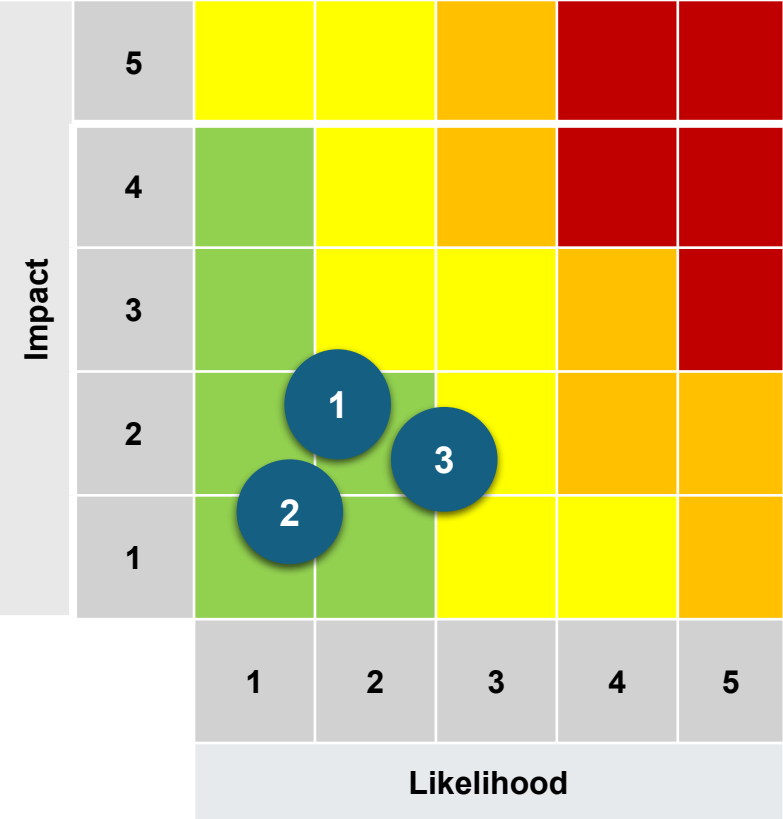
3

3) To ensure that procedures are in place to collect all monies efficiently, pay refunds correctly and reconcile SX3 transactions with the general ledger.

4

4) To ensure that recovery and enforcement action is consistent, timely and the use of Enforcement Agents is formalised, effectively monitored and managed.

Client Financial Assessments



1

1) To ensure that Council policies and associated procedures are in accordance with the Care Act 2014 in respect of assessment of client contributions to cost of care.

2

2) To ensure that there are effective procedures for the assessment, billing, recovery and accounting for contributions due and paid.

3

3) To ensure that there are effective procedures in place for Deferred Payment Agreements (residential care).

Section 17 Support

Impact	5					
	4					
	3					
	2					
	1					
		1	2	3	4	5
Likelihood						

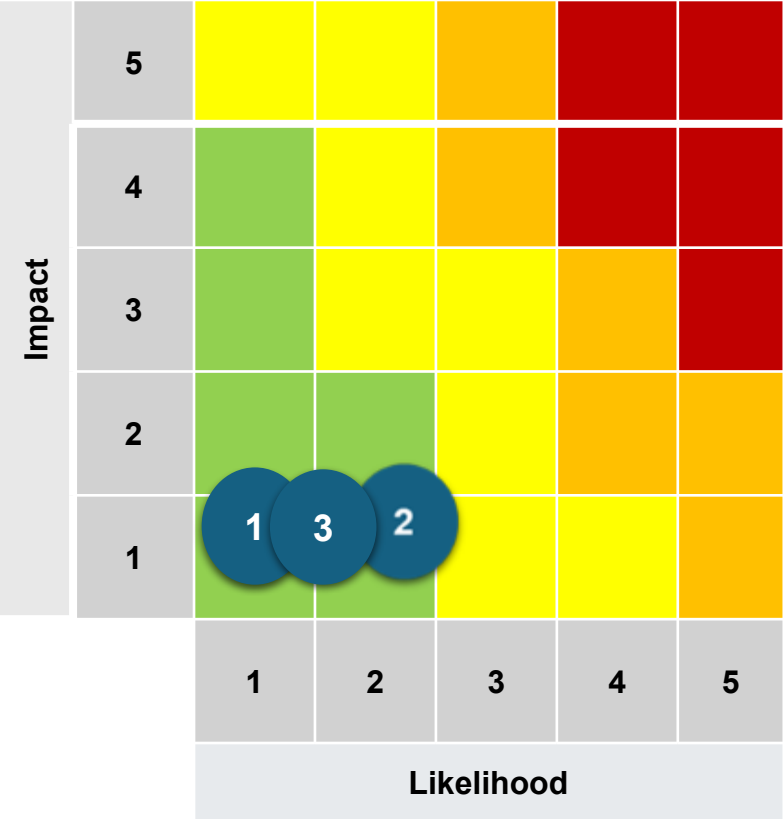
1

1) To ensure that the Council has established a policy and associated procedures for the provision of advice and financial support made under Section 17 of the Children Act 1989, which are in line with government legislation/national guidance.

2

2) To ensure that the Service has established effective procedures for the allocation, recording and monitoring of the use of Section 17 payments and the associated budgets.

Initial Referral and Assessment



1

1) To ensure that threshold guidance, referral criteria and pathways from the 'front door' are clearly defined and meet statutory guidance, and that referral processes within the working model are operating effectively.

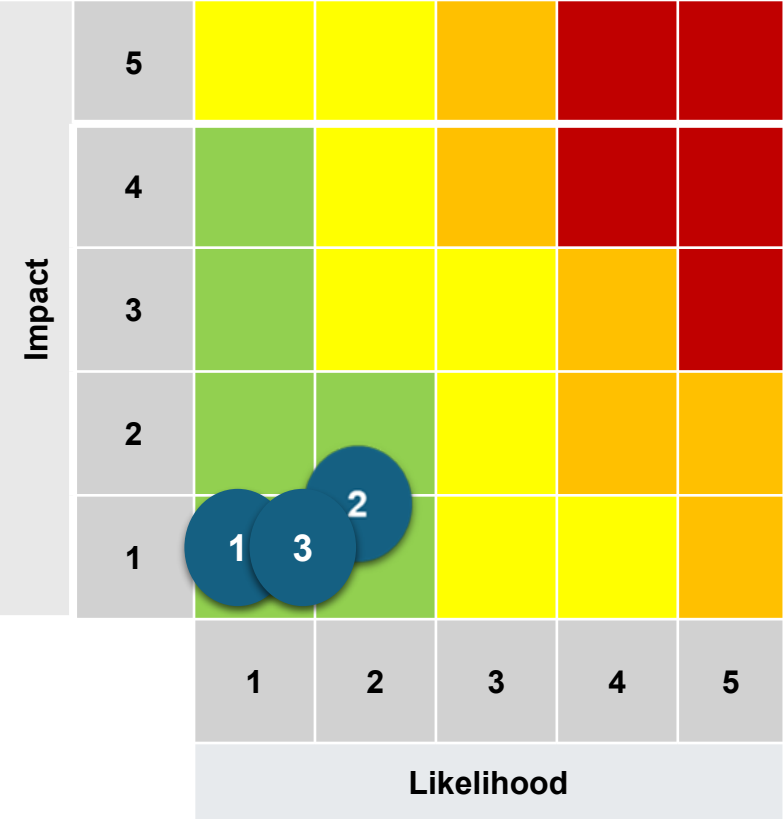
2

2) To ensure that threshold and referral guidance, and risk assessment tools are shared with safeguarding partners to facilitate effective use of the working model.

3

3) To ensure that the Service uses appropriate tools and processes to analyse and evidence the effectiveness of the referral framework.

Public Transport



1

1) To ensure that there is effective governance under the Enhanced Partnership, along with internal procedures to monitor and report progress against the BSIP both internally and to the DfT.

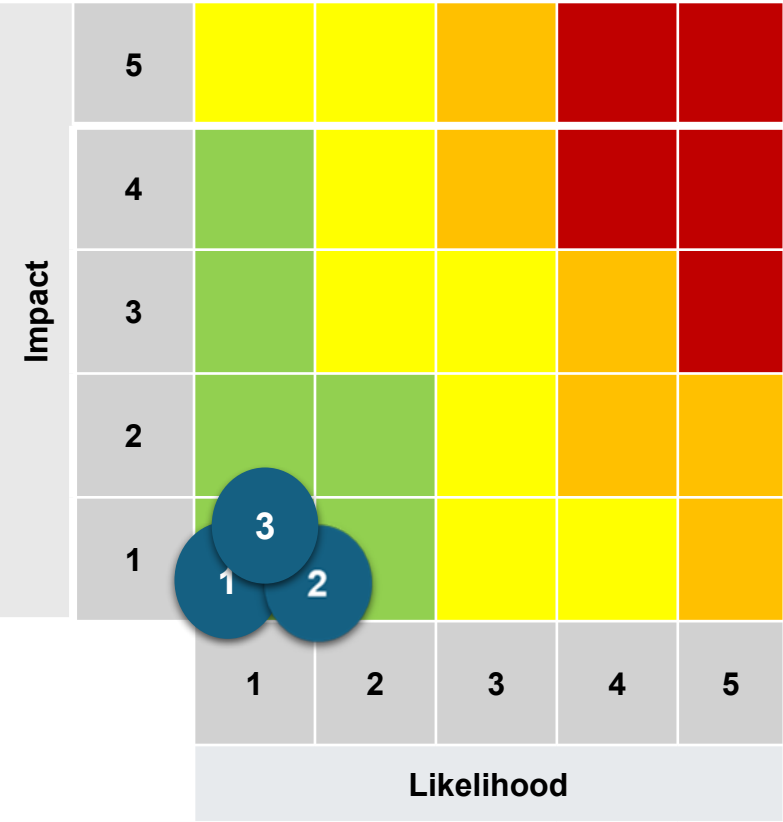
2

2) To ensure that there are effective procedures for the allocation of funding and monitoring of expenditure under the BSIP and BSOG, including contract tendering.

3

3) To ensure that there are effective operational procedures in place to monitor the quality of supported bus services provided by external operators.

Migration-Resettlement Schemes



1

1) To ensure that there are effective processes for claiming, receiving and utilising resettlement support funding.

2

2) To ensure that there are transparent processes for offering, maintaining and ending tenancies in the LAHF funded properties.

3

3) To ensure that there are effective processes for monitoring the performance and value of commissioned support services.

Treasury Management Mid-Year Review Report 2025/26

Committee considering report:	Governance Committee
Date of Committee:	27 January 2026
Portfolio Member:	Councillor Iain Cottingham
Date Head of Service agreed report:	6 November 2025
Report Author:	David Leech / Elizabeth Griffiths

1 Executive Summary

- 1.1 The report details the changes in the elements that contribute to the overall performance of the treasury activities and what the impacts of those changes are expected to be, along with the results for the half year to September 2025.
- 1.2 The results are within the expected parameters but with the Council under increasing financial pressure, capital financing remains a key area of budgetary concern with borrowing set to rise from £260m to £312m by the end of the financial year.

2 Background

- 2.1 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). The primary requirements of the Code are as follows:
- 2.2 Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
- 2.3 Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- 2.4 Receipt by the full Council/Board of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy, a Mid-year Review Report and an Annual Report covering activities during the previous year.
- 2.5 The 2021 Prudential Code and Treasury Management Code introduced a new requirement that monitoring of the treasury management indicators should be reported

quarterly (along with the other prudential indicators) as part of the authority's general revenue and capital monitoring.

- 2.6 Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- 2.7 Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority, the delegated body is The Governance Committee:
- 2.8 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
 - An economic update for the first half of the 2025/26 financial year (Appendix C);
 - The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators (Paragraphs 4.3 to 4.10);
 - A review of the Authority's borrowing strategy for 2025/26 (Paragraph 4.11 to 4.13);
 - A review of any debt rescheduling undertaken during 2025/26 (Paragraph 4.14);
 - A review of compliance with Treasury and Prudential Limits for 2025/26 (Paragraph 4.15 and 4.16).
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy (Paragraphs 4.17 and 4.19);
 - A review of the Authority's investment portfolio for 2025/26 (Paragraph 4.20 to 4.21);

3 Implications and Impact Assessment

Implication	Commentary
Financial:	The medium term projections detailed within this report show an increasing external debt position over the next few years. With capital financing forming a significant percentage of the net revenue budget, it is vital that that authority establishes not only what is allowable within its Treasury activities, but what is affordable. The capital finance budget, as part of the overall revenue budget, is being supplemented by EFS which in turn is recharged to the revenue budget through MRP over 20 years, as well as incurring interest.
Human Resource:	None
Legal:	None

Risk Management:	None			
Property:	None			
Policy:	This report makes reference to the policies laid out and agreed in our Investment and Borrowing Strategy			
	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		No
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		No
Environmental Impact:		X		None
Health Impact:		X		None
ICT Impact:		X		None
Digital Services Impact:		X		None

Council Strategy Priorities:		X		None
Core Business:		X		None
Data Impact:		X		None
Consultation and Engagement:	External Treasury Advisors, S151 Officer and Finance Portfolio Holder			

4 Supporting Information

Treasury Management Strategy Statement and Annual Investment Strategy Update

- 4.1 The Council does not currently publish a Treasury Management Strategy Statement, (TMSS), but in lieu of this document it publishes an Investment and Borrowing Strategy which for 2025/26 was approved by this Authority on 27th February 2025.
- 4.2 There are no policy changes relating to this published strategy; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The Authority's Capital Position (Prudential Indicators)

- 4.3 This part of the report is structured to update:
- The Authority's capital expenditure plans (Paragraph 4.4);
 - How these plans are being financed (Paragraph 4.5);
 - The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow (Paragraphs 4.6 to 4.8; and
 - Compliance with the limits in place for borrowing activity (Paragraphs 4.9 and 4.10).

Prudential Indicator for Capital Expenditure

- 4.4 This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. The capital programme as set in February 2025 has been subject to multiple changes as outlined in the Capital Outturn reports at Q1 and Q2 with new projects being added and multiple project budgets being "slipped" to 2026/27, most recently £22.5m in Q2 resulting in the closing forecast shown below.

Capital Expenditure by Service	2025/26 Approved Capital Programme £m	2025/26 Q2 Forecast Capital Expenditure £m
People Directorate		
Adult Social Care	2.0	3.0
Children's Social Care	0.0	0.0
Education & SEND	12.4	9.3
Total People Directorate	14.4	12.3
Place Directorate		
Community Services	1.0	4.7
Development & Housing	3.9	4.0
Environment	48.9	32.0
Total Place	53.8	40.7
Resources Directorate		
Finance, Property & Procurement	2.5	2.0
Strategy, ICT & Governance	2.2	3.2
Total Resources	4.7	5.2
TOTAL CAPITAL EXPENDITURE	72.9	58.2

Changes to the Financing of the Capital Programme

- 4.5 The table below draws together the main elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Authority 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 borrowing requirement is based on capital expenditure but additional borrowing will be needed to refinance maturing debt and to externalise internal borrowing as and when those balance sheet resources are consumed to meet their corresponding liabilities.

Capital Expenditure	2025/26 Approved Capital Programme £m	2025/26 Q2 Forecast Capital Expenditure £m
Total capital expenditure	72.9	58.2
Financed by:		
Grants	29.4	25.8
S106	1.4	1.3
CIL	6.7	4.4
Other Contributions	0.2	0.0
Total financing	37.7	31.5
Borrowing requirement	35.2	26.7

Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

- 4.6 The table below shows the CFR, which is the underlying need to incur borrowing for a capital purpose. It also shows the expected debt position over the period in comparison with the operational boundary and the authorised limit.
- 4.7 The table below shows the Q2 forecast for the year end CFR as £344.2m with the total forecast debt to be £312.0m, of which £304.1m is external borrowing. The gap between the two is expected to be filled by utilising cash generated by or received for other purposes to fund the expenditure (also referred to as internal borrowing).

Prudential Indicator – Capital Financing Requirement

The original forecast CFR included within the approved 25/26 Strategy has increased from £338m to £344.2m at the Q2 forecast. An analysis of the change is included in the table beneath paragraph 5.11 but has primarily been driven by the capitalisation of revenue via Exceptional Financial Support (EFS) and a reduction in forecast council funded capital expenditure during the first half of 25/26. EFS is given in the form of a permitted capitalisation of revenue which the Council must repay, and which MRP must be charged to the revenue budget each year over 20 years to cover.

Prudential Indicator – the Operational Boundary for external debt

Prudential Indicator - Capital Financing Requirement	2025/26 Approved Strategy £m	2025/26 Q2 Forecast £m
Total CFR	338.0	344.2
Forecast External Debt		
Borrowing	300.8	304.1
Other Long-term Liabilities (PFI)	7.9	7.9
Total Forecast Debt (Year-end Position)	308.7	312.0
PRUDENTIAL INDICATORS 25/26		
Authorised Limit	382.9	382.9
Operational Boundary	368.9	368.9

- 4.8 The analysis of the change in the 31/03/2026 Total CFR between the 2025/26 Approved Strategy and the 2025/26 Q2 forecast is shown below:

	£m
Approved Strategy 25/26 - Total CFR	338.0
24/25 Exceptional Financial Support (EFS)	13.0
Reduction in 24/25 Council Funded capital expenditure	-1.0
Increase in 24/25 Minimum Revenue Provision	-0.1
24/25 Introduction of IFRS16 leases to balance sheet	0.5
25/26 Exceptional Financial Support (EFS)	3.0
Reduction in 25/26 Council Funded capital expenditure	-8.4
Increase in 25/26 Minimum Revenue Provision	-0.8
Q2 Forecast 25/26 - Total CFR	344.2

Limits to Borrowing Activity

- 4.9 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 2025/26 and next two financial years. This allows some flexibility for limited early borrowing for future years.

	2025/26 Approved Strategy £m	2025/26 Q2 Forecast £m
Borrowing	300.8	304.1
Other long-term liabilities*	7.9	7.9
Total debt	308.7	312.0
CFR* (year end position)	338.0	344.2

** Includes on balance sheet PFI schemes and lease liabilities recognised under IFRS16 etc.*

4.10 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 can only be set and revised by full Council. It reflects the level of borrowing which, while not desired, is allowable 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 (England & Wales). Since this value can only be amended by the agreement of full Council, it has not changed since it was set in February, even although the CFR and expected level of borrowing has.

	2025/26 Approved Strategy £m	2025/26 Q2 Forecast £m
Authorised limit for external debt*	382.9	382.9

*includes other long-term liabilities (on balance sheet PFI schemes and lease liabilities recognised under IFRS16 etc.)

Borrowing

4.11 The Authority forecasts that its capital financing requirement (CFR) at 31/03/2026 will be £344.2m. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority 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 table under paragraph 4.7 above shows the Authority forecasts debt of £312.0m at 31/03/2026 and forecast the utilisation of £39m of cash flow funds in lieu of borrowing. While interest rates for borrowing are higher than the rates that can be earned on short term investment, it is prudent to use internal cash first to avoid external borrowing where possible.

4.12 Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR) and the repayment of existing borrowing of £49.2m, new external borrowing of £42m was undertaken in the first half of 2025/26. The capital programme is being kept under regular review due to the effects of on-going budgetary pressures. 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.

Borrowing position as at 30/09/2025	31/03/2025 Balance £m	Borrowing repaid £m	New Borrowing £m	30/09/2025 Balance £m
Public Works Loan Board	247.0	-27.1	23.0	242.9
Community Bond	0.2	-0.1	-	0.1
Local Authorities (Short-Term)	20.0	-22.0	19.0	17.0
Total Borrowing	267.2	-49.2	42.0	260.0

NEW BORROWING UNDERTAKEN IN FIRST HALF OF 2025/26

Counterparty type	Borrowed from	Borrowed to	Amount (£)	Interest Rate (%)
Local Authority	29/05/2025	20/06/2025	2,000,000	4.25
Local Authority	16/07/2025	17/11/2025	5,000,000	4.25
Local Authority	29/05/2025	01/12/2025	2,000,000	4.28
Local Authority	30/06/2025	09/01/2026	3,000,000	4.25
Local Authority	31/07/2025	30/04/2026	5,000,000	4.2
Local Authority	17/06/2025	18/05/2026	2,000,000	4.28
PWLB	31/07/2025	30/09/2026	4,000,000	4.47
PWLB	30/09/2025	24/02/2027	4,000,000	4.59
PWLB	30/09/2025	13/01/2027	5,000,000	4.59
PWLB	22/09/2025	22/01/2027	5,000,000	4.59
PWLB	22/09/2025	21/12/2026	5,000,000	4.59

4.13 It is anticipated that further borrowing will be undertaken during this financial year with the authority's level of external debt reaching £304m, an increase of £37m compared to the 2024/25 financial year end.

Debt Rescheduling

4.14 Potential debt repayment and rescheduling opportunities arise as interest rates reduce but these are only relevant if existing loans are at a rate that's high enough above current market rates to make early repayment, including the associated financial penalties, viable. Our historical debt is typically at rates either lower or similar to the current market rates so, no debt rescheduling has been undertaken to date in the current financial year.

Compliance with Treasury and Prudential Limits

4.15 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2025, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2025/26. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators. It is worth noting that the CFR outlines the level of borrowing that is "allowable". This is determined by the amount of borrowing agreed to fund the capital

programme as agreed. The larger the Council funded element of that programme, the higher the CFR and the higher the allowable borrowing. Under normal circumstances, the amount of MRP and capital financing required to fund this kind of capital expenditure would be included in the balanced revenue budget of the authority, but when a Council cannot meet its liabilities or balance its revenue budget and requires exceptional financial support to close that gap, it does not follow that the planned capital expenditure, while authorised and therefore allowable, is actually affordable.

4.16 All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices. A recent internal audit report raised no significant concerns in relation to breaches of indicators, other limits or procedures.

Annual Investment Strategy

4.17 The Investment and Borrowing Strategy for 2025/26, in accordance with the CIPFA Treasury Management Code of Practice, sets out the Authority's investment priorities as being:

- Security of capital
- Liquidity
- Yield

4.18 The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs.

4.19 The current investment counterparty criteria selection is meeting the requirement of the treasury management function.

4.20 The average level of funds available for investment purposes during the first half of the financial year was £26.6m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme with the maximum funds available during the period being £47.3m and the minimum funds available during the period being £4.6m.

Investment performance year to date as of 30 September 2025	Actual Interest Received 01/04/25 - 30/09/25 £'000	Average Interest Rate for the Period %	Benchmark (SONIA) average rate for the period %	Variance (actual interest rate earned to benchmark) bps
Short-Term Investments	130	4.29	4.19	10
Cash and Cash Equivalents	431	4.10	4.19	-9
Total Treasury Investments	561	4.14	4.19	-5

4.21 As illustrated, the Authority's Total Treasury Investments underperformed the benchmark by 5 bps. The Authority's budgeted investment return for 2025/26 is £508k, and performance for the year to date is £307k above budget. The SONIA (Sterling OverNight Index Average) is an indicator of what could be expected to be earned on large deposits. Since we typically hold only circa £10m of working capital and a portion of that is readily liquid, meaning that it is accessible but that will generally mean that it earns a lower interest rate than longer term investments, we would not expect to earn the equivalent of the SONIA rate on our working capital cash. The SONIA rate is an indicator of what could be earned and therefore a useful benchmark to assess the efficiency of our cash management but for the reasons above, it is not in itself a target that is either set or expected to be attainable.

Total Council Investment Income	Actual Interest Received 01/04/25 - £'000	Profiled Interest Income budget 01/04/25 - £'000	Above/(Below) budget £'000
Short-Term Investments	130	252	-122
Cash and Cash Equivalents	431	3	429
Total Treasury Investments	561	254	307

4.22 Appendix B shows our counterparty limits, meaning the maximum amount that can be held with those counterparties at any time. On the 3rd of June 2025, the approved limit with CCLA was breached because interest in the amount of £26,538.43 was automatically added to the account, taking the overall balance to £17,455.43 above our £8m counterparty limit. This was quickly spotted by officers and a withdrawal made on the 5th of June to ensure the balance fell back below the £8m set out in the strategy. Officers can confirm that this was the only instance where the approved limits within the Annual Investment Strategy were breached during the period ended 30 September 2025.

Non-Treasury Investments

4.23 The definition of investments in the CIPFA TM Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. At the 31 March 2025 the Authority held £51.8million of such investments in directly owned property categorised as follows:

4.24 Directly owned property (commercial property) £39.9 million. This is property that the Authority has borrowed specifically to fund the purchase:

Name and address of property	Property type	Original Purchase cost plus capitalised incidentals £'000	2024/25 valuation £'000
Dudley Port Petrol Filling Station, Tipton	Petrol Filling Station	3,724	3,891
79 Bath Road, Chippenham	Retail Warehouse	9,651	8,779
Lloyds Bank, 104 Terminus Road, Eastbourne	Retail	3,078	1,614
Aldi/Iceland, Cleveland Gate Retail Park, Guisborough*	Retail Warehouse	6,424	5,875
303 High Street and 2 Waterside South, Lincoln	Retail	6,010	2,654
3&4 The Sector, Newbury Business Park	Office	18,802	10,770
Ruddington Fields Business Park, Mere Way, Nottingham	Office	6,931	6,297
TOTAL		54,620	39,878

*sold August 2025

4.25 The forecast rate of return on these investments for 2025/26 is summarised in the tables below. The rate of return is based on the latest valuation of the properties included in the Authority's 2024/25 accounts. The forecast net income for 2025/26 is based on the Q2 budget monitoring at 30/09/2025:

Directly owned Property: Commerical property	£'000
Valuations as at 31 March 2025	39,878
Valuations as at 30 September 2025	39,878
Loss on change in Market value during 2025/26	0
25/26 Forecast Net income	2,739
25/26 Forecast rate of return excluding MRP and Interest	6.87%
Directly owned Property: Commerical property	£'000
25/26 Net income	2,739
Loss on change in Market value during 2025/26	0
MRP costs 25/26	(943)
Interest Costs 25/26	(1,525)
Forecast Outturn, net of MRP and interest	271
25/26 Forecast rate of return, after MRP and interest	0.68%

*no valuation completed, assume valuation is the same as at 31/03/2025

4.26 Directly owned property (investment property) £11.9 million. This is property that the Authority holds as an investment property but the purchase has not been funded 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:

Name and address of property	Property type	Original Purchase cost plus capitalised incidentals £'000	2024/25 valuation £'000
The Stone Building, The Wharf, Newbury	Café	50	25
Rainbow Nursery, Priory Road, Hungerford	Children's Nursery	87	94
Clappers Farm/Beech Hill Farm, Grazely	Tenanted Smallholdin	1,330	1,157
Bloomfield Hatch Farm, Grazely	Tenanted Smallholdin	549	485
Shaw Social Club, Almond Avenue, Shaw	Community Centre	320	219
Swings n Smiles, Lower Way, Thatcham	Children's Day Centre	66	259
Units 1 to 7, Kennet Enterprise Centre, Hungerford	Industrial	500	669
London Road Industrial Estate, Newbury	Industrial	7,800	8,976
TOTAL		10,702	11,883

4.27 Directly owned property (investment property) £11.9 million. This is property that the Authority holds as an investment property but the purchase has not been funded 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:

4.28 The forecast rate of return on these investments for 2025/26 is summarised in the tables below. The rate of return is based on the latest valuation of the properties included in the Authority's 2024/25 accounts. The forecast net income for 2025/26 is based on the Q2 budget monitoring at 30/09/2025:

Directly owned Property: Investment Properties	£'000
Valuation as at 31 March 2025	11,883
Valuations as at 30 September 2025	11,883
Loss on change in Market value during 2025/26	0
25/26 Forecast Net income	182
25/26 Forecast rate of return	1.53%

Note: There is no borrowing on this investment and therefore no MRP and Interest

5 Other options considered

5.1 This report is for noting only so no other options have been considered.

6 Appendices

6.1 Appendix A – The CFR, Liability Benchmark and Borrowing

6.2 Appendix B – Investment Portfolio

6.3 Appendix C – Economics and Interest Rates

6.4 Appendix D – PWLB maturity certainty rates

Background Papers:

Investment and Borrowing Strategy Financial Year 2025/2026

Capital Strategy Financial Year 2025/2026

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 one of the Council's Scrutiny Committees or associated Task Groups within the preceding six months

Item is Urgent Key Decision

Report is to note only



Wards affected: *all

Officer details:

Name: David Leech
Job Title: Senior Accountant - Treasury
Tel No: 01635 519646
E-mail: David.Leech1@westberks.gov.uk

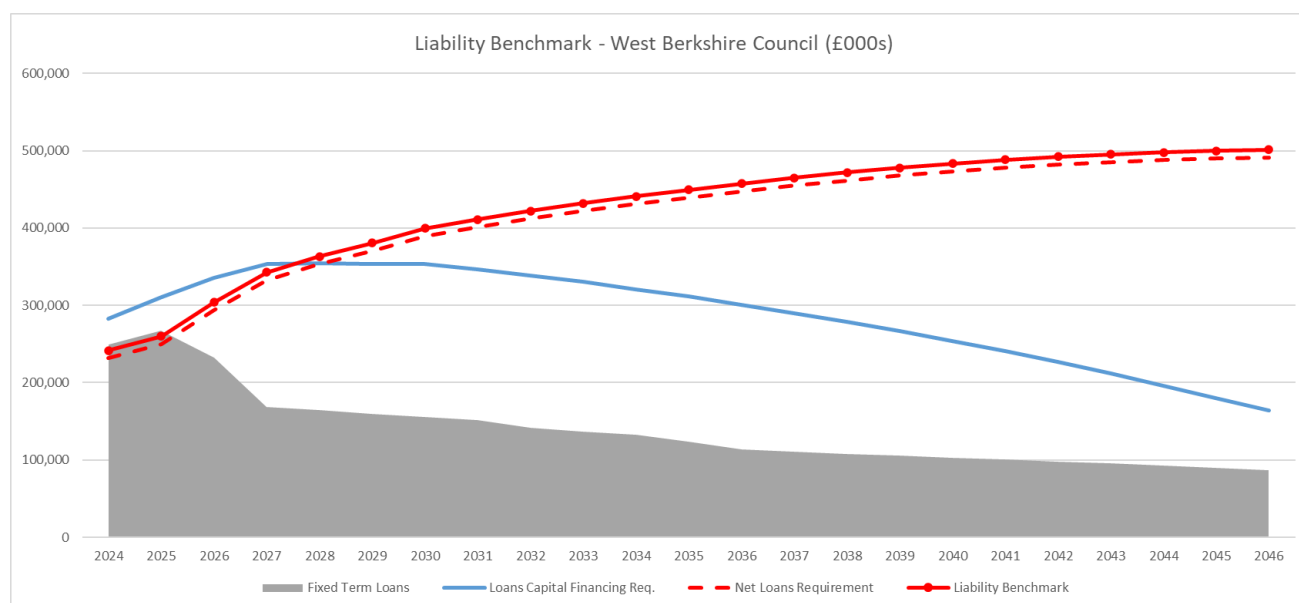
Appendix A

The CFR, Liability Benchmark and Borrowing

	31/03/24	31/03/25	31/03/26	31/03/27	31/03/28
	Actual	Actual	Projection	Projection	Projection
	£'000	£'000	£'000	£'000	£'000
Capital Financing requirement	292,870	319,710	344,220	361,010	360,481
Less other debt liabilities (PFI)	-9,807	-8,892	-7,920	-6,890	-5,796
Less other debt liabilities (Other leases)	-	-549	-549	-549	-549
Loans Capital Financing Req.	283,063	310,269	335,751	353,571	354,136
Less: Existing External Borrowing	-248,973	-267,241	-232,732	-168,511	-164,226
Internal (Over) Borrowing	34,090	43,028	103,019	185,060	189,910
Less: Balance Sheet Resources	-51,363	-60,334	-41,666	-20,966	-1,131
Investments / (New Borrowing)	17,274	17,306	-61,352	-164,094	-188,778

	31/03/24	31/03/25	31/03/26	31/03/27	31/03/28
	Actual	Actual	Projection	Projection	Projection
	£'000	£'000	£'000	£'000	£'000
Loans Capital Financing Req.	283,063	310,269	335,751	353,571	354,136
Less: Balance Sheet Resources	-51,363	-60,334	-41,666	-20,966	-1,131
Net Loans Requirement	231,700	249,935	294,084	332,604	353,004
Preferred Year-end Position	10,000	10,000	10,000	10,000	10,000
Liability Benchmark	241,700	259,935	304,084	342,604	363,004

The CFR, Liability Benchmark and Borrowing



	31/03/24	31/03/25	31/03/26	31/03/26	31/03/27
	Actual	Actual	Projection	Projection	Projection
	£'000	£'000	£'000	£'000	£'000
Existing External Borrowing	248,973	267,241	232,732	168,511	164,226
Liability Benchmark	241,700	259,935	304,084	342,604	363,004

Investment Portfolio

Counterparty	Counterparty type	Interest rate @ 30/09/25	Investment Balance at 30/09/25	Counterparty Limit
Lloyds	Call Account	3.77%	£151,751.25	£8,000,000
Natwest	Call Account	2.25%	£1,356,274.55	£8,000,000
Santander	Call Account	2.68%	£204.64	£8,000,000
Aviva	Money Market Fund	4.09%	£6,700,000.00	£8,000,000
CCLA	Money Market Fund	4.04%	£3,284,223.18	£8,000,000
Goldman Sachs	Money Market Fund	4.00%	£81,966.37	£8,000,000

Economics and Interest Rates

Economics Update

The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.8% in July.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.6%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70%.

From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July will have caused some concern, with the hikes in taxes for businesses that took place in April this year undoubtedly playing a part in restraining growth. The weak overseas environment is also likely to have contributed to the 1.3% m/m fall in manufacturing output in July. That was the second large fall in three months and left the 3m/3m rate at a 20-month low of -1.1%. The 0.1% m/m rise in services output kept its 3m/3m rate at 0.4%, supported by stronger output in the health and arts/entertainment sectors. Looking ahead, ongoing speculation about further tax rises in the Autumn Budget on 26 November will remain a drag on GDP growth for a while yet. GDP growth for 2025 is forecast by Capital Economics to be 1.3%.

Sticking with future economic sentiment, the composite Purchasing Manager Index for the UK fell from 53.5 in August to 51.0 in September. The decline was mostly driven by a fall in the services PMI, which declined from 54.2 to 51.9. The manufacturing PMI output balance also fell, from 49.3 to 45.4. That was due to both weak overseas demand (the new exports orders balance fell for the fourth month in a row) and the cyber-attack-induced shutdown at Jaguar Land Rover since 1 September reducing car production across the automotive supply chain. The PMIs suggest tepid growth is the best that can be expected when the Q3 GDP numbers are released.

Turning to retail sales, and the 0.5% m/m rise in volumes in August was the third such rise in a row and was driven by gains in all the major categories except fuel sales, which fell by 2.0% m/m. Sales may have been supported by the warmer-than-usual weather. If sales were just flat in September, then in Q3 sales volumes would be up 0.7% q/q compared to the 0.2% q/q gain in Q2.

With the November Budget edging nearer, the public finances position looks weak. Public net sector borrowing of £18.0bn in August means that after five months of the financial year, borrowing is already £11.4bn higher than the OBR forecast at the Spring Statement in March. The overshoot in the Chancellor's chosen fiscal mandate of the current budget is even greater with a cumulative deficit of £15.3bn. All this was due to both current receipts in August being lower than the OBR forecast (by £1.8bn) and current expenditure being higher (by £1.0bn). Over the first five months of the financial year, current receipts have fallen short by a total of £6.1bn (partly due to lower-than-expected self-assessment income tax) and current expenditure has overshoot by a total of £3.7bn (partly due to social benefits and departmental spending). Furthermore, what very much matters now is the OBR forecasts and their impact on the current budget in 2029/30, which is when the Chancellor's fiscal mandate bites. As a general guide, Capital Economics forecasts a deficit of about £18bn, meaning the Chancellor will have to raise £28bn, mostly through higher taxes, if she wants to keep her buffer against her rule of £10bn.

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The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October Budget. The number of job vacancies in the three months to August stood at 728,000. Vacancies have now fallen by approximately 47% since its peak in April 2022. All this suggests the labour market continues to loosen, albeit at a declining pace.

A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.8% in July. The rate for the private sector slipped from 5.5% to 4.7%, putting it on track to be in line with the Bank of England's Q3 forecast (4.6% for September).

CPI inflation fell slightly from 3.5% in April to 3.4% in May, and services inflation dropped from 5.4% to 4.7%, whilst core inflation also softened from 3.8% to 3.5%. More recently, though, inflation pressures have resurfaced, although the recent upward march in CPI inflation did pause for breath in August, with CPI inflation staying at 3.8%. Core inflation eased once more too, from 3.8% to 3.6%, and services inflation dipped from 5.0% to 4.7%. So, we finish the half year in a similar position to where we started, although with food inflation rising to an 18-month high of 5.1% and households' expectations for inflation standing at a six year high, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

An ever-present issue throughout the past six months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%.

More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky

inflation, resilient activity data and a hawkish Bank of England have kept yields elevated over 4.70%.

The FTSE 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed Q3 at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors’ global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings.

MPC meetings: 8 May, 19 June, 7 August, 18 September 2025

There were four Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June’s vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for “signs of weak demand”, “supply-side constraints” and higher “inflation expectations”, mainly from rising food prices. By repeating the well-used phrase “gradual and careful”, the MPC continued to suggest that rates would be reduced further.

In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was “finely balanced” and reiterating that future rate cuts would be undertaken “gradually and carefully”. Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC will be wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

The Bank of England does not anticipate CPI getting to 2% until early 2027, and with wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction).

The Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that “a gradual and careful” approach to rate cuts is appropriate suggests the Bank still thinks interest rates will fall further but possibly not until February, which aligns with both our own view and that of the prevailing market sentiment.

Interest Rate Forecasts

The Authority has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The PWLB rate

Economics and Interest Rates

forecasts below are based on the Certainty Rate (the standard rate minus 20bps) which has been accessible to most authorities since 1 November 2012.

MUFG Corporate Markets' latest forecast on 11 August sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

Appendix D

PWLB maturity certainty rates

PWLB maturity certainty rates (gilts plus 80bps) year to date to 30 September 2025

Gilt yields and PWLB certainty rates have remained relatively volatile throughout the six months under review, but the general trend has been for medium and longer dated parts of the curve to shift higher whilst the 5-year part of the curve finished September close to where it began in April.

Concerns around the stickiness of inflation, elevated wages, households' inflation expectations reaching a six-year high, and the difficult funding choices facing the Chancellor in the upcoming Budget on 26 November dominated market thinking, although international factors emanating from the Trump administration's fiscal, tariff and geo-political policies also played a role.

At the beginning of April, the 1-year certainty rate was the cheapest part of the curve at 4.82% whilst the 25-year rate was relatively expensive at 5.92%. Early September saw the high point for medium and longer-dated rates, although there was a small reduction in rates, comparatively speaking, by the end of the month.

The spread in the 5-year part of the curve (the difference between the lowest and highest rates for the duration) was the smallest at 37 basis points whilst, conversely, the 50-years' part of the curve saw a spread of 68 basis points.

At this juncture, MUFG Corporate Markets still forecasts rates to fall back over the next two to three years as inflation dampens, although there is upside risk to all forecasts at present. The CPI measure of inflation is expected to fall below 2% in early 2027 but hit a peak of 4% or higher later in 2025.

The Bank of England announced in September that it would be favouring the short and medium part of the curve for the foreseeable future when issuing gilts, but market reaction to the November Budget is likely to be the decisive factor in future gilt market attractiveness to investors and their willingness to buy UK sovereign debt.

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Financial Year-End 2025-26 (Year-End Planning Document)

Committee considering report:	Governance Committee
Date of Committee:	Tuesday 27 January 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Christopher Dagnall (Interim Consultant)
Forward Plan Ref:	G4749

1 Purpose of the Report

This report is to inform Members of the draft accounting policies to be applied in the production of the Council's 2025/26 Statement of Accounts. The report also confirms any amendments to the accounting policies arising from changes in operational activities and/or the impact of any new accounting standards issued.

2 Recommendations

2.1 Members are asked to review and authorise the following recommendation:

- (a) To approve the draft accounting policies that will be applied in the production of the Council's 2025/26 Draft Statement of Accounts (Appendix A).

2.2 Members are asked to note the following:

- (a) KPMG is the Council's external auditor. 2024/25 is the second year of a five-year contract with KPMG. As of December 2025, the audit team is in the process of undertaking their review of the Council's 2024/25 financial performance as summarised in that year's Statement of Accounts. The 2024/25 external audit review commenced in mid-October 2025, and the Council expects that this will be completed in February 2026. The statutory deadline for Council/auditor approval of the 2024/25 Statement of Accounts is 28 February 2026.
- (b) The Council must publish a 2025/26 Draft Statement of Accounts by 30 June 2026. The public inspection period for the 2025/26 financial statements will commence in early July 2026, immediately following publication of the Accounts.
- (c) The internal year-end timetable which will support the Council's collation of the 2025/26 Draft Statement of Accounts (Appendix B).

3 Implications and Impact Assessment

Implication	Commentary			
Financial:	The Council has consistently prepared the Statement of Accounts within the established annual statutory deadlines. For the 2024/25 financial year, this was 30 June 2025 for Draft Accounts. The Council and KPMG are mindful of the need to ensure that the 2024/25 Statement of Accounts is approved, and in final form, by 28 February 2026			
Human Resource:	Not applicable			
Legal:	The Council is required to ensure that the Statement of Accounts is properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code) and meets the requirements of the Accounts and Audit Regulations 2015			
Risk Management:	Where the external auditor concludes that the Council's Statement of Accounts is not compliant with the CIPFA Code, and where the financial statements do not provide a true and fair view of the Council's financial position and performance, this may result in the issuance of a qualified audit opinion			
Property:	Not applicable			
Policy:	Not applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:		X		

A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		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:	Shannon Coleman-Slaughter (Service Director for Finance, Property and Procurement)			

4 Executive Summary

- 4.1 The Council's 2024/25 external audit commenced in October 2025 and is anticipated to conclude during February 2026. External audit review dates in respect of the 2025/26 financial year are yet to be discussed or confirmed owing to the extended time horizon, but the timescale is likely to be finalised during the first half of the 2026 calendar year. These dates are expected to be consistent with the 2024/25 audit fieldwork.

- 4.2 Central Government's edict is that timely, high-quality financial reporting and audit of local bodies is a vital part of a democratic system. This supports sound decision making within councils by enabling effective planning, making informed decisions and management of services, and ensures transparency and accountability to local taxpayers. KPMG issued a disclaimed audit opinion on the 2023/24 financial statements. At the time of writing, the auditor is in the process of completing the 2024/25 external audit and the precise wording of the associated audit opinion may not be in hand until as late as February 2026.
- 4.3 An accounting policy development in 2024/25 was the introduction of *IFRS 16 Leases*. At a base level, implementation led to the Council accounting for lease asset and lease liability sums within the Balance Sheet in respect of Council-leased assets. The Council engaged the advisory services of MUFG Corporate Markets to support the initial rollout of this accounting standard last year. At present, Finance is in the process of determining which third-party specialist will support the Council in respect of the 2025/26 review. The Council's expectation is that the second-year accounting arrangements will be simplified given the considerable work undertaken for 2024/25. Two key tasks for Finance will be to ensure that KPMG can place reliance on complete and accurate workpapers to support 2025/26's opening balances and that all new lease arrangements in 2025/26 have been identified
- 4.4 The Dedicated Schools Grant (DSG) statutory override (where the High Needs Deficit is transferred from usable reserves to unusable reserves, hence preserving the Council's General Fund), remains in place for 2025/26. The cumulative deficit as at 31 March 2025 is £16.1m (31 March 2024: £9.5m) .
- 4.5 *CIPFA Bulletin 22 Indexation Guidance* was published in November 2025, and the key conclusion is to mandate five yearly valuations for all Property, Plant and Equipment assets on the assumption that councils undertake annual indexation reviews for all affected assets. Where indexation updates cannot be reflected, perhaps due to an absence of relevant indices, the Council will need to supplement five yearly valuations with desktop reviews in year three. As external auditor, KPMG will be aware of the accounting implications in respect of their audit sampling and testing procedures. In respect of the Council, additional advice will be sourced from the engaged third party specialist (WHE) in due course.

5 Supporting Information

Background

- 5.1 Under International Standards of Audit (ISAs) and the National Office Code of Audit Practice, the Council's external auditor is required to report whether, in their opinion, the Council's financial statements:
- (a) Give a true and fair view of the financial position of the Council, incorporating the income and expenditure disclosed for the financial year; and
 - (b) Have been prepared in accordance with the CIPFA Code and comply with the reporting requirements defined in the Accounts and Audit Regulations 2015

- 5.2 No further significant technical accounting changes within the CIPFA Code are anticipated to be published in advance of the 2025/26 year-end closedown

6 Conclusion

- 6.1 The Council's 2024/25 Accounts must be finalised by 28 February 2026 to comply with statutory deadlines. KPMG are in the process of summarising their review conclusions and the associated audit findings reports are likely to be issued in draft during January 2026
- 6.2 The 2025/26 Statement of Accounts must be in draft form by 30 June 2026. The public inspection period will commence at the start of July 2026

7 Appendices

- 7.1 Appendix A - 2025/26 Draft Accounting Policies
- 7.2 Appendix B - 2025/26 Council Year-End Timetable

Subject to Call-In:

Yes: ☐ No: X

- | | |
|---|-------------------------------------|
| The item is due to be referred to Council for final approval | <input type="checkbox"/> |
| Delays in implementation could have serious financial implications for the Council | <input type="checkbox"/> |
| Delays in implementation could compromise the Council's position | <input type="checkbox"/> |
| Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months | <input type="checkbox"/> |
| Item is Urgent Key Decision | <input type="checkbox"/> |
| Report is to note only | <input checked="" type="checkbox"/> |

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2025/26 Draft Accounting Policies

General Principles

The Accounts and Audit Regulations 2015 (SI 2015 No 234) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2025/26, these proper accounting practices principally comprise:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code);
- The Service Reporting Code of Practice 2025/26 (SeRCoP);
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No 3146, as amended).

The Statement of Accounts will be prepared using the going concern and accruals bases. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Going Concern Concept

The financial statements shall be prepared on a going concern basis; that is, the accounts are prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place rather than when cash payments are made or received. In particular:

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, these amounts are carried as inventory in the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals for 2025/26 will generally only be recognised where the value exceeds £10,000. The £10,000 limit will also be applied to 2025/26 prepayments.
- The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation. A key income stream for the Council is Adult Social Care client income, in the region of **TBC%** of total budgeted income for fees and charges in 2025/26 (2024/25: 40%). The associated accounting treatment has been reviewed. Other income amounts received by the Council

include government grants and contributions, Council Tax and Business Rates, and these sums fall outside the scope of this assessment.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours without material penalty. Cash equivalents are highly liquid investments that also are repayable on notice of not more than 24 hours and that are readily convertible to known amounts of cash with low risk of change in value.

Prior period adjustments, changes in accounting policies, estimates and errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes are accounted for retrospectively. The basis for any prior period adjustments in 2025/26 is still to be determined. The Council will not adopt any new accounting standards or amendments in 2025/26 which will have a significant impact upon its financial position.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding-capital assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible capital assets attributable to the service

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to a prudent amount determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation (not charged through the Revaluation Reserve) are adjusted by means of a transaction in the Capital Adjustment Account via the Movement in Reserves Statement.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date of approval of the Statement of Accounts. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect or impact, disclosure is made in the Notes to the Accounts of the nature of these events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Interests in companies and other entities

Where the Council has material interests in subsidiary and associate companies, these will be consolidated into Group Accounts on a line-by-line basis for subsidiaries, and the equity method for associates, once accounting policies have been aligned with the Council where appropriate, and any intra-group transactions have been eliminated. For 2025/26, the Council will assess whether there is a need to prepare Group Accounts, this requirement determined by the scale of material interests in companies and other entities.

Investment properties

Investment properties are properties that are held solely to earn rental income and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The line is also credited/debited with gains/losses on the disposal of properties, measured as the difference between the carrying amount and sale proceeds. Accounting regulations do not permit unrealised gains and losses to impact the General Fund. Therefore, such gains and losses are reversed out of the General Fund (via the Movement in Reserves Statement) and posted to the Capital Adjustment Account.

Overheads

The costs of overheads and support services are managed separately, and therefore these service segments are reported separately and in accordance with the Council's arrangements for accountability and financial performance.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund Total via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure Financing disclosure in the Council's Statement of Accounts.

Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with any conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. The financial impact of receipt of grants is detailed in the Council's outturn and the Statement of Accounts documents.

Financial Year-End 2025-26 (Year-End Planning Document)

Following the receipt of a grant, the Council must assess whether in administering the grant it was acting as an agent or principal.

Where the Council has acted as agent, the following accounting treatment conditions apply:

- It was acting as an intermediary between the recipient and the appropriate Government Department.
- It did not have 'control' of the grant conditions, and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to exercise its own discretion when determining the amount of grant payable.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Authority charges for and collects the levy, and this is a planning charge. The levy income will be used to fund several infrastructure projects to support the commencement date of the development of the area. The receipt of CIL is limited by regulations. It is therefore recognised at the commencement date of development in the Comprehensive Income and Expenditure Statement in accordance with the core accounting policy for Grants and Contributions detailed above.

Business Improvement Districts (BID)

A Business Improvement District (BID) scheme applies to a defined area in Newbury Town Centre. The BID is managed and operated by Newbury Business Improvement District Community Interest Company. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme and accounts for income and expenditure, including contributions to the BID project, within the relevant service lines in the Comprehensive Income and Expenditure Statement.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are identified within the General Fund Total in the Movement in Reserves Statement in the Statement of Accounts. Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service area within the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Total via an entry in the Movement in Reserves Statement.

Schools

Local authority-maintained schools are determined to be under the control of the Council. Consequently, the income, expenditure, assets, and liabilities of maintained schools are accounted for within the Statement of Accounts. Other types of school, such as academies and free schools, are outside of the Council's control, and are therefore excluded from the Statement of Accounts.

Value Added Tax

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC) and all VAT paid is recoverable.

Joint Operations

Jointly controlled operations are where the parties involved have joint control of an arrangement and have rights to the asset and obligations relating to the activities undertaken in conjunction with other operators. These activities often involve the utilisation of the assets and resources of the operators rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure incurred and the share of income earned from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other joint operators, with the assets being used to obtain benefit for the joint operators. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement where an event has taken place that gives the Council a legal or constructive obligation that likely requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

Contingent Assets

A contingent asset arises whereby an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a Note to the Statement of Accounts where it is probable that there will be an inflow of economic benefit or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a Note to the Statement of Accounts.

Revenue Recognition

The Council's various income streams have been assessed and classified in accordance with the Code and revenue has been recognised accordingly. Specific consideration has been given to:

- Implied or stated contractual terms for exchange transactions.
- Obligating events and/or conditions attached to non-exchange transactions, where a party receives something of value without directly giving value in exchange.
- Significance of the income stream to the Council.

Property, Plant and Equipment

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, if it is probable that the future economic benefit or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (such as repairs and maintenance) is charged as an expense when it is incurred.

Property, plant and equipment is recognised where the initial cost or value exceeds £10,000.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the cost of dismantling and removing the item and restoring the site on which it is located.

Infrastructure, community assets, assets under construction and vehicles, plant and equipment are then carried in the Balance Sheet at depreciated historical cost. Other categories of property, plant and equipment are subsequently re-measured at existing use or fair value. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. The Council engages external valuation specialists to determine updated asset valuations.

Revaluation

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to determine whether there is an indication of impairment. Where indications exist and possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, these are accounted for in the same way as revaluation losses.

Depreciation

Depreciation is provided for on all property, plant, and equipment assets by the systematic allocation of the depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and certain community assets) and assets that are not yet available for use, such as assets under construction.

Depreciation is calculated on the following bases:

- Buildings – reducing balance over the useful life of the property as estimated by a qualified valuation specialist.
- Vehicles, plant, furniture, and equipment – reducing balance over the life of the asset, usually 10 years.
- Infrastructure – reducing balance over the life of the asset, usually 10 to 40 years.
- IT assets – straight-line allocation over the useful life of the asset, usually five years.

Where an asset is material and has major components, whose cost is significant to the total cost of the asset, and these elements have markedly different useful lives, such components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset is de-recognised in the Balance Sheet. This amount, net of any receipts from disposal, is accounted for as a gain or loss on disposal and taken to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains previously accounted for in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any disposal receipts more than £10,000 are categorised as capital receipts and must be credited to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax but is subject to separate arrangements for capital financing. Amounts reflected in the Comprehensive Income and Expenditure Statement are appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

Asset Reclassification

The Council adheres to CIPFA and RICS guidance on the classification of properties. Where a property has had a change of use, the Council will reflect this in the Statement of Accounts. Movements between asset classes are usually between Property, Plant and Equipment and Investment Properties. Upon reclassification, assets are subsequently valued in line with the relevant class of asset. In certain cases, a property may be used for a combination of investment and operational purposes. In these instances, the Council will split the valuation of the property between Property, Plant and Equipment and Investment Properties, and reflect this in the Accounts.

Minimum Revenue Provision (MRP)

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards a provision for the reduction in its overall borrowing requirement equal to

either an amount calculated on a prudent basis or as determined by the Council in accordance with the established MRP policy.

Componentisation

The Code requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Within the Council's asset portfolio there are several asset classes where componentisation will not be considered, including:

- Equipment – as this is considered immaterial; and
- Asset classes which are not depreciated – such as land, investment properties, heritage assets, community assets, surplus assets and assets held for sale.

The remaining assets, which are housed within the operational portfolio, are often of a specialised nature such as schools and leisure centres. The Council instructs the valuation specialist to provide component information for each individual asset. This is subsequently reviewed to determine whether the inclusion of a component value will have a material impact upon depreciation. For 2025/26, a componentisation de minimis of £3million will be in place. This policy will only be applied to each asset as it falls due to be revalued. Any asset (including acquisitions) that has had capital expenditure added to it during the financial year will also be considered. Where individual assets fall below the de minimis threshold, but are collectively above this level, these assets are assessed for componentisation where generally treated together elsewhere.

Heritage Assets

These assets have historical, artistic, or scientific importance, and are held primarily for their contributions to art and culture. Heritage assets are deemed to have infinite lives and are not subject to depreciation. The carrying amounts are reviewed where there is evidence of impairment such as physical damage. Any impairment is recognised and measured in accordance with the Council's general accounting policy on impairment.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Council because of past events, and future economic benefit or service potential must be expected to flow from the intangible asset to the Council. The most common class of intangible asset in Local Authorities is computer software. If an item does not meet the definition of an intangible asset (identifiability, control, and future economic benefits), expenditure to acquire it or generate it internally is recognised as an expense when incurred.

Upon recognition, an intangible asset is measured at cost. Expenditure incurred on an intangible asset after it has been recognised will normally be charged to the surplus or deficit on the provision of services as incurred. Only rarely will subsequent expenditure meet the recognition criteria in the Code. Where this occurs, the expenditure is recognised in the carrying amount of the intangible asset.

The Council applies amortisation to intangible assets with finite useful lives on a reducing balance basis over the useful life of the asset, and from the point at which the asset is available for use.

Assets with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that the asset may be impaired. The useful life of the asset shall be reviewed annually thereafter.

Leases

Leases are classified as finance leases where the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease relates to both land and buildings, the land and buildings elements are assessed separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent upon the use of specific assets.

Council as lessee

A right-of-use asset and corresponding lease liability are recognised at the commencement of the lease, and this treatment follows the accounting principles within IFRS 16 Leases.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include fixed payments, variable lease payments dependent on an index or rate (initially measured using the index or rate at commencement), the exercise price under a purchase option if the Council is reasonably certain to exercise, penalties for early termination if the lease term reflects the Council exercising a break option, and payments in an optional renewal period if the Council is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right-of-use asset, when there is a change in future lease payments resulting from a rent review, variation in an index or rate such as inflation, or change in the Council's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The right-of-use asset is initially measured at cost, comprising the initial lease liability, any lease payments already made less any lease incentives received, initial direct costs, and any dilapidation or restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The right-of-use asset is tested for impairment if there are any indicators of impairment.

Leases of low value assets (purchase cost below £10,000) and short-term leases that have a term of 12 months or less are expensed to the Comprehensive Income and Expenditure Statement, as are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

Council as lessor

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure caption in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments eg there is a premium paid at the commencement of the lease. Initial direct costs incurred in negotiating and

arranging the lease are added to the carrying value of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services, passes to the PFI contractor. As the Authority is deemed to control the services that are provided under such PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on the Balance Sheet within property, plant and equipment. The original recognition of these assets at fair value (based upon the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Authority has one PFI contract, and this is with Veolia ES West Berkshire Limited.

Non-current assets recognised in the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment assets owned by the Authority.

The annual amounts payable to PFI scheme operators are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service line in the Comprehensive Income and Expenditure Statement.
- **finance cost** – an interest charge of 6.1% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **payment towards liability** – applied to write down the Balance Sheet liability owed to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- **lifecycle replacement costs** – a proportion of the amount payable is posted to the Balance Sheet as a prepayment and subsequently recognised as an addition within property, plant and equipment when the relevant works are eventually undertaken. This accounting is in accordance with the CIPFA Code's adaption of IFRIC 12 Service Concession Arrangements.

Financial Instruments

Financial instruments are recognised within the Balance Sheet when the Council becomes a party to their contractual provisions. These instruments are initially measured at fair value.

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost. This means that the amount presented in the Balance Sheet is the outstanding principal sum repayable plus accrued interest. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based upon the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial assets are subsequently measured in one of two ways:

- Amortised cost – assets whose contractual terms are basic lending arrangements in that these assets give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding which the Council holds under a business model whose objective is to collect those cashflows.
- Fair value – all other financial assets.

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable plus accrued interest. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based upon the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Changes in the values of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line as they arise.

Employee Benefits

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid monthly and reflected as expenditure in the relevant service line within the Comprehensive Income and Expenditure Statement.

Post-Employment Benefits: Pensions

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to fund the payments (for those benefits) and to disclose them at the time that employees earn their future entitlements.

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead.
- The NHS Pension Scheme, administered by NHS Pensions.

The Local Government Pension Scheme provides defined benefits to members, specifically retirement lump sums and pensions, earned as employees working for the Council, or for related parties. Under IAS 19 and CIPFA Code requirements, the Council recognises the cost of post-employment benefits in the reported cost of services when these amounts are earned by employees rather than when the benefits are eventually paid as pensions. The Council will make an Employer contribution in the region of £TBC in 2026/27 (2025/26: £20.0m) to reduce the scheme liability. This contribution total encompasses primary and secondary amounts.

The Teachers' and NHS plans are defined benefit schemes which are accounted for as defined contribution schemes. This is because the arrangements for these schemes mean that future defined benefit liabilities are not readily identifiable, and therefore no liabilities for future payment of benefits are recognised in the Balance Sheet. Services are charged with employer contributions to the Teachers' and NHS schemes in the Comprehensive Income and Expenditure Statement within the appropriate financial year. The Council's 2026/27 Employer contribution level is at **TBC%** (2025/26: 28.68%) in respect of the Teachers' scheme.

Defined Benefit Pension Schemes

Local Government Pension Scheme

The liabilities of the Royal Berkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of calculation is the projected unit method - specifically an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, including mortality rate assumptions, employee turnover rates and estimates of projected earnings for current employees. This future liability is then discounted back to present value using a discount rate determined by reference to market yields at the Balance Sheet date of high-quality corporate bonds. The assets of the Royal Berkshire Pension Fund attributable to the Council are held in the Balance Sheet at fair value.

The change in the net pension liability is analysed into the following components:

1. Service cost - this comprises current service cost (allocated in the Comprehensive Income and Expenditure Statement) to the services for which the employees worked, and past service cost – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
2. Net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
3. Re-measurements - comprising the return on Plan assets (excluding amounts included in net interest on the net defined benefit liability) charged to the Pension Reserve as Other Comprehensive Income and Expenditure and actuarial gains and losses (changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation date or because the actuary has updated their assumptions). These sums are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
4. Contributions paid to the Pension Fund are charged to the General Fund via an accounting entry in the Movement in Reserves Statement to replace the service cost items above discretionary benefits.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements of employees. Any resulting liabilities are accrued in the year of award and are accounted for using the same policies applied for liabilities relating to the Royal Berkshire Pension Fund.

Curtailments

The cost of curtailments arising because of the payment of unreduced pensions on early retirement have been calculated by the Actuary. The amounts calculated are the curtailment costs which affect the Council's Local Government Pension Scheme liabilities.

Collection Fund

The Collection Fund shows the transactions of the billing authority in relation to the collection of Council Tax and Non-Domestic Rates from local taxpayers, and its subsequent distribution to local authorities and Central Government. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting Non-Domestic Rates and Council Tax belong to the bodies concerned, including major preceptors, the billing authority, and Central Government. The Council's share of Council Tax and Business Rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the CIPFA Code. Income due from Council Tax and ratepayers is recognised in full as at 1 April, this date being the start of the financial year.

The Council's share of Council Tax and Business Rates income is reflected in the Comprehensive Income and Expenditure Statement on an agency basis, consistent with the requirements of the Code. However, the amount to be reflected in the General Fund is determined by regulation. Therefore, there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

The Council, as a billing authority, is statutorily required under Section 89 of the Local Government Finance Act 1988 to maintain a separate Collection Fund account as agent into which all transactions relating to the collection of Business Rates and Council Tax income from taxpayers and distribution to local government bodies and Central Government are made. The Collection Fund account is accounted for separately from the General Fund. Surpluses or deficits on the council tax income and distributions are apportioned to the relevant precepting body in the following financial year in proportion to each body's Band D Council Tax amount.

Council Tax

Council tax is charged on residential properties based upon valuation bandings established when the system was introduced in 1993. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) is approved by Full Council annually as part of the budget-setting process.

National Non-Domestic Rates

The Council collects Business Rates for its area based on rateable values (as determined by the Valuation Office Agency) and multiplier indices as determined by Central Government. The total income estimated to be received in the year is notified to related bodies in the immediately preceding January in accordance with statutory regulations.

Termination Benefits

Termination benefits are charged on an accruals basis to the appropriate service or to the specified segment in the appropriate line in the Comprehensive Income and Expenditure Statement (where these sums relate to pensions enhancements) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Appendix B

2025/26 Council Year-End Timetable

Task description	Preparation date	Review date	Preparer	Reviewer / responsible officer
KEY DATE - year-end timetable, closing guidance and accruals instructions/templates issued to Budget Managers	Fri 13 Feb	Fri 20 Feb	Marsha Caddle	Khurram Anwer
Contact The Downs, Compton and Basildon schools for confirmation of year-end balances	Wed 18 Feb	Mon 23 Feb	Kirsty Bray	Khurram Anwer
Distribute year-end reporting pack to schools (including copy of year-end timetable for 2025/26)	Wed 18 Feb	Mon 23 Feb	Kirsty Bray	Khurram Anwer
Issue email confirmation (to actuary) of data reports to compile to support year-end pension accounting disclosures	Fri 20 Feb	Mon 23 Feb	David Leech	Khurram Anwer
Update Agresso Fixed Assets Register for 2025/26 opening balances and reconcile to 2024/25 closing balances	Fri 6 Mar	Tue 10 Mar	John Kavanagh	Shail Vitish
KEY DATE - Budget Managers - issue carry forward requests (with indicative £ amounts) and requests for provisions and details of any contingent assets and contingent liabilities to Finance Managers	Fri 13 Mar	Mon 16 Mar	Budget Managers	Finance Managers
KEY DATE - schools' final imprest claims to be submitted to Schools Finance Team	Thu 19 Mar	Fri 20 Mar	Schools Accountancy	Kirsty Bray
Internal transfers from schools to be sent to Schools Finance Team	Thu 19 Mar	Mon 23 Mar	Schools Accountancy	Kirsty Bray
NatWest daily rates to 31 March 2026 - to be provided to Finance Manager for Resources	Thu 19 Mar	Thu 19 Mar	Jonathan Best	David Leech
KEY DATE - Budget Managers - final claim for reimbursement of non-schools' imprest accounts and procurement cards to be prepared and submitted to service accountants	Fri 20 Mar	Fri 20 Mar	Budget Managers	Finance Managers
KEY DATE - process final transactional entries within Bank Income and Clearing Account	Fri 20 Mar	Fri 20 Mar	Andy Brown	Marsha Caddle
Issue Related Party Transaction confirmations to Members and Senior Management	Fri 20 Mar	Fri 20 Mar	Hine Thompson	Toby Bradley/Hine Thompson
Final non-schools' procurement card claims processed in Agresso	Tue 24 Mar	Wed 25 Mar	Service Accountants	Marsha Caddle
Non-schools' imprest account signed claims processed in Agresso/with Accounts Payable by 5pm (Friday 20 March)	Tue 24 Mar	Wed 25 Mar	Service Accountants	Marsha Caddle
Schools' final imprest payments sheet to Accounts Payable/Accounts Payable to post final year-end transactions into P12 on Friday 27 March	Wed 25 Mar	Fri 27 Mar	Kirsty Bray / Sarah Gadd	Khurram Anwer
Schools Finance Team process schools' final imprest claims by 4pm	Fri 27 Mar	Fri 27 Mar	Schools Accountancy	Kirsty Bray

Financial Year-End 2025-26 (Year-End Planning Document)

Task description	Preparation date	Review date	Preparer	Reviewer / responsible officer
Cashiers' suspense to be cleared by 5pm	Tue 31 Mar	Tue 31 Mar	Andy Brown	Marsha Caddle
Check all procurement cards balances are £0 (E999W)	Tue 31 Mar	Wed 1 Apr	Marsha Caddle	Khurram Anwer
Confirm up-to-date position on properties to disclose as year-end assets held for sale via follow-up with Property Team	Tue 31 Mar	Fri 3 Apr	John Kavanagh	Shail Vitish
Deadline for year-end write offs (Debtors arrears/Exchequer Services)	Tue 31 Mar	Tue 31 Mar	Andy Brown	Khurram Anwer
Revenue grant determination letters to be saved to Grant Register folder on server	Tue 31 Mar	Wed 1 Apr	Service Accountants	Marsha Caddle
KEY DATE - Budget Managers - Orders to be GRN'd in Agresso by 5pm	Tue 31 Mar	Tue 31 Mar	Budget Managers	Marsha Caddle
KEY DATE - final date for Revenue postings to Capital codes. Accounting entries processed after this date must be pre-authorised by Service Lead, Management Accounting	Tue 31 Mar	Tue 31 Mar	Revenue Teams	Khurram Anwer
KEY DATE - final Debtors/Accounts Receivable year-end invoices to be raised by 12pm	Tue 31 Mar	Tue 31 Mar	Andy Brown	Budget Managers
KEY DATE - no further 2025/26 invoice registrations to be processed after 12pm cut-off	Tue 31 Mar	Tue 31 Mar	Sarah Gadd	Khurram Anwer
Post year-end depreciation accounting entries in Agresso	Tue 31 Mar	Tue 31 Mar	John Kavanagh	Shail Vitish
Review appropriateness of Useful Economic Life (UEL) for prior year additions in Fixed Assets Register	Tue 31 Mar	Tue 31 Mar	John Kavanagh	Shail Vitish
Review cost centres linked to depreciation and impairment for appropriateness	Tue 31 Mar	Tue 31 Mar	John Kavanagh	Shail Vitish
Run year-end process within Fixed Assets (following posting of depreciation accounting entries)	Tue 31 Mar	Tue 31 Mar	John Kavanagh	Shail Vitish
Production of list to capture invoices registered (not paid) as at 31 March in advance of issuance to Finance Managers	Tue 31 Mar	Wed 1 Apr	Sarah Gadd / Karen Coffin	Khurram Anwer
Issue request letters to financial institutions to facilitate third party confirmations of year-end Treasury balances	Tue 31 Mar	Wed 1 Apr	Jonathan Best	David Leech
Budget Managers - Treasury Team to download imprest statements and make available to Finance Managers to distribute to relevant teams	Wed 1 Apr	Thu 2 Apr	David Leech	Khurram Anwer
KEY DATE - Month 12 Agresso Report issued to schools/central services	Wed 1 Apr	Wed 1 Apr	Karen Coffin	Khurram Anwer
Reconcile Housing Benefits cash and/or obtain cash reconciliations (from Housing)	Wed 1 Apr	Wed 1 Apr	Andrew Wheldon	Khurram Anwer

Financial Year-End 2025-26 (Year-End Planning Document)

Task description	Preparation date	Review date	Preparer	Reviewer / responsible officer
Revenue Teams to process stock journals	Wed 1 Apr	Thu 2 Apr	Revenue Teams	Marsha Caddle
Calculate Minimum Revenue Provision (MRP)/enter journals	Wed 1 Apr	Thu 2 Apr	David Leech	Shail Vitish
Review paperwork for Accumulated Absences data (from service managers)/calculate year-end accrual	Thu 2 Apr	Tue 7 Apr	Marsha Caddle	Khurram Anwer
Reconciliation of year end write offs control accounts	Thu 2 Apr	Thu 9 Apr	Andy Brown	Khurram Anwer
Year-end Council Tax (CT) cash/refunds posted to Agresso	Thu 2 Apr	Thu 9 Apr	Jane Knight	Khurram Anwer
Year-end National Non-Domestic Rates (NNDR) cash/refunds posted to Agresso	Thu 2 Apr	Thu 9 Apr	Jane Knight	Khurram Anwer
Rent rebates and rent allowances reconciliation (specific year-end requirements to be confirmed)	Thu 2 Apr	Wed 8 Apr	Andrew Wheldon/Lisa Potts	Khurram Anwer
Schools - accruals (except WBC open purchase orders, see Agresso P12 report) to be received by Schools' Finance Team	Thu 2 Apr	Tue 7 Apr	Kirsty Bray	Khurram Anwer
Schools to notify Schools' Finance Team of any journals required to correct Agresso P12 postings	Thu 2 Apr	Tue 7 Apr	Schools Accountancy	Kirsty Bray
Budget Managers - Petty cash, float, stock and non-schools' imprest account certificates (with bank statements as at 31/03/2026) to be provided by 5pm	Tue 7 Apr	Tue 7 Apr	Budget Managers	Marsha Caddle
Provide year-end investments listing to KPMG External Audit team	Tue 7 Apr	Wed 8 Apr	Jonathan Best	David Leech
Balance Sheet holding accounts /control cost centres to be at zero (excluding VAT, Capital, NNDR and Council Tax)	Wed 8 Apr	Wed 8 Apr	Finance Managers	Marsha Caddle
Close all Treasury accounts and finalise financial instruments year-end transactions	Wed 8 Apr	Thu 9 Apr	Jonathan Best	David Leech
Internal recharge journals - including fleet and waste transfer sites	Wed 8 Apr	Thu 9 Apr	Revenue Teams	Finance Managers
Year-end Bank/Cash Reconciliation finalised	Wed 8 Apr	Mon 13 Apr	Mark Bibby	David Leech/Khurram Anwer
DHP Return and Housing Benefit Subsidy Return (mpf720A)	Thu 9 Apr	Fri 10 Apr	Andrew Wheldon	Khurram Anwer
Follow-up on receipt of Related Party form responses from Senior Officers and Members	Thu 9 Apr	Mon 13 Apr	Hine Thompson	Toby Bradley/Hine Thompson
Operating leases commitments and payments (2025/26), agree any contingent rent amounts with Property Team	Thu 9 Apr	Thu 9 Apr	John Kavanagh	Shail Vitish

Financial Year-End 2025-26 (Year-End Planning Document)

Task description	Preparation date	Review date	Preparer	Reviewer / responsible officer
Prepare schedule of AR invoices posted in last two weeks in March and first two weeks in April (for KPMG)	Thu 9 Apr	Fri 10 Apr	Andy Brown	Khurram Anwer
Analyse year-end REFCUS items in Capital Programme, ensuring correct accounting treatment of all items including disposals	Thu 9 Apr	Tue 14 Apr	TBC	Shail Vitish
File year-end petty cash and non schools' imprest certificates (and bank statements) and supply stock certificates to Revenue teams	Thu 9 Apr	Fri 10 Apr	Marsha Caddle	Khurram Anwer
Schools' corporate accruals/ journals to correct. Period 12 processed and approved by 3pm (Thursday 9 April)	Thu 9 Apr	Fri 10 Apr	Kirsty Bray	Khurram Anwer
Interest calculation - other balances (excepting schools)/average rate of return confirmation	Fri 10 Apr	Mon 13 Apr	Jonathan Best	David Leech
Interest rate to be advised (relating to schools' reserves/banking)	Fri 10 Apr	Mon 13 Apr	Jonathan Best	David Leech
KEY DATE - Capital Accruals deadline	Fri 10 Apr	Fri 10 Apr	TBC	Shail Vitish
Payroll Control Account Reconciliations	Fri 10 Apr	Mon 13 Apr	Conor Markou / Jon Martin / Fiona Salter	Khurram Anwer
Closedown Housing Benefits, and book journals including accruals	Fri 10 Apr	Mon 13 Apr	TBC	Lisa Potts
Construction Industry Scheme (CIS) deductions cut-off	Fri 10 Apr	Mon 13 Apr	Sarah Gadd	Khurram Anwer
Accounts to be received from schools not on Agresso (The Downs, Compton and Basildon schools)	Fri 10 Apr	Mon 13 Apr	TBC	Khurram Anwer
Submission of claims to Finance and Governance Group (FAGG)	Fri 10 Apr	Fri 10 Apr	Revenue Teams	Toby Bradley/Hine Thompson
KEY DATE - transfer of actuals from cost centres	Mon 13 Apr	Tue 14 Apr	TBC	Shail Vitish
Aged Creditors Report (from AP) as at 31/03/2026 - reconciled to Purchase Ledger Control Account	Mon 13 Apr	Tue 14 Apr	Marsha Caddle / Karen Coffin	Sarah Gadd
Aged Debtors Report (from AR) as at 31/03/2026 - reconciled to Sales Ledger Control Account	Mon 13 Apr	Tue 14 Apr	Marsha Caddle / Karen Coffin	Andy Brown
KEY DATE - application of funding to Capital cost centres	Tue 14 Apr	Thu 16 Apr	TBC	Shail Vitish
Service Accountants to review revenue grants coded to the Comprehensive Income and Expenditure Statement (CIES) to ensure that receipting conditions have been satisfied or otherwise to process year-end Receipt in Advance adjustments	Tue 14 Apr	Fri 17 Apr	Service Accountants	Khurram Anwer/Toby Bradley/Hine Thompson
Interest on schools' balances calculated and posted	Tue 14 Apr	Wed 15 Apr	Kirsty Bray	Khurram Anwer

Financial Year-End 2025-26 (Year-End Planning Document)

Task description	Preparation date	Review date	Preparer	Reviewer / responsible officer
Carry forward balances (post-FAGG) reviewed and journals entered	Wed 15 Apr	Fri 17 Apr	Marsha Caddle	Toby Bradley/Hine Thompson
IFRS 16-compliant and non-IFRS 16 leases-key relevant journals (including leased vehicles accounting entries)	Wed 15 Apr	Fri 17 Apr	John Kavanagh	Shail Vitish
Produce working paper supporting Statement of Accounts note detailing ageing analysis of CT/NNDR year-end debt, vouched to appropriate Northgate system reports	Wed 15 Apr	Fri 17 Apr	Jane Knight	Khurram Anwer
VAT Control Account Reconciliation - final 2025/26 Return	Wed 15 Apr	Fri 17 Apr	David Leech	Shail Vitish/Khurram Anwer
KEY DATE - agree first Capital Outturn position and confirm reprofiling	Wed 15 Apr	Fri 17 Apr	John Kavanagh	Shail Vitish/Khurram Anwer
KEY DATE - closure of General Ledger	Thu 16 Apr	Thu 16 Apr	Karen Coffin	Khurram Anwer
KEY DATE - cut-off for all material accruals to be reflected within year-end position/vouch appropriate cut-off treatment for April 2026 expense items to this point	Thu 16 Apr	Fri 17 Apr	Service Accountants	Finance Managers
Post entries for schools not on Agresso (The Downs, Compton and Basildon)	Thu 16 Apr	Fri 17 Apr	Kirsty Bray	Khurram Anwer
Schools' accruals/journals to correct Period 12 approved by 3pm (Thursday 16 April)	Thu 16 Apr	Fri 17 Apr	Kirsty Bray	Khurram Anwer
KEY DATE - closedown of all Revenue cost centres (deadline for final postings)	Thu 16 Apr	Thu 16 Apr	Finance Managers	Toby Bradley/Hine Thompson
Capital financing - reconcile Section 106, CIL, Capital Receipts Reserve and other sources of financing. This process includes the closedown of holding accounts and associated transfers to Balance Sheet Reserves	Thu 16 Apr	Fri 17 Apr	TBC	Shail Vitish
KEY DATE - final date for closedown of Schools' cost centres and associated upload to Agresso	Thu 16 Apr	Fri 17 Apr	Kirsty Bray	Khurram Anwer
Review existence of Contingent Assets and Contingent Liabilities - send email request to Legal Section	Thu 16 Apr	Tue 21 Apr	Nicola Thomas	Khurram Anwer
KEY DATE - management review of material changes/amendments identified since final postings date (Thursday 16 April)	Mon 20 Apr	Mon 20 Apr	Finance Managers	Shannon Coleman-Slaughter/Toby Bradley/Khurram Anwer
Input year-end journals for Accumulated Absences accrual	Mon 20 Apr	Wed 22 Apr	Marsha Caddle	Khurram Anwer
Issue Month 13 Agresso Reports to Schools/central cost centres	Mon 20 Apr	Wed 22 Apr	Karen Coffin	Khurram Anwer
KEY DATE - consolidation of schools' trial balance within year-end Statement of Accounts	Thu 23 Apr	Fri 24 Apr	Management Accounting Schools Teams	Toby Bradley/Hine Thompson

Financial Year-End 2025-26 (Year-End Planning Document)

Task description	Preparation date	Review date	Preparer	Reviewer / responsible officer
Reconcile DSG and carry forward of balances	Fri 24 Apr	Mon 27 Apr	Joshua Ngersa	Toby Bradley/Hine Thompson
Finance to evidence review of year-end pension actuarial report and Statement of Accounts disclosure content	Mon 27 Apr	Wed 29 Apr	David Leech	Khurram Anwer
Non-Current Assets - end of year disposals review in partnership with Property Team, all appropriate journals posted	Mon 27 Apr	Tue 28 Apr	John Kavanagh	Shail Vitish
Capital Programme - manual load of additions and revaluations within Agresso	Mon 27 Apr	Tue 28 Apr	John Kavanagh	Shail Vitish
KEY DATE - agree final Capital Outturn position and confirm reprofiling	Mon 27 Apr	Mon 27 Apr	John Kavanagh	Shail Vitish/Khurram Anwer
KEY DATE - Capital Strategy Group - review Capital Outturn position and reprofiling	Mon 27 Apr	Tue 28 Apr	John Kavanagh	Shail Vitish/Khurram Anwer
Agree DSG Adjustment Account year-end balance transfer	Mon 27 Apr	Tue 28 Apr	Joshua Ngersa	Toby Bradley/Hine Thompson
Reconcile Fixed Assets Register to General Ledger and review appropriateness of accounting treatment in accordance with CIPFA Code	Mon 27 Apr	Tue 28 Apr	John Kavanagh	Shail Vitish
Balance Sheet reconciliations (from Finance teams)	Tue 28 Apr	Thu 30 Apr	Finance Managers	Khurram Anwer
Investment Properties - process all accounting entries (including revaluations)	Tue 28 Apr	Tue 28 Apr	John Kavanagh	Shail Vitish
Load asset revaluations (non-Investment Properties)	Tue 28 Apr	Tue 28 Apr	John Kavanagh	Shail Vitish
Council Tax closed, with all relevant postings in Agresso	Wed 29 Apr	Wed 30 Apr	Jane Knight/Khurram Anwer	Toby Bradley/Hine Thompson
Finalisation of Capital/Fixed Assets year-end working papers and associated Statement of Accounts disclosures	Thu 30 Apr	Fri 1 May	Shail Vitish	Khurram Anwer
Reconcile year-on-year movements within Council's Capital Financing Requirement (CFR)	Tue 5 May	Wed 6 May	Shail Vitish	Khurram Anwer
Finalise year-end bad debt provision including supporting calculations	Tue 5 May	Wed 6 May	Andy Brown/Marsha Caddle	Khurram Anwer
Review aged debt assumptions supporting year-end bad debt provisions (ASC and trade)	Tue 5 May	Wed 6 May	Andy Brown/Marsha Caddle/Tracy Thorne	Khurram Anwer
KEY DATE - Revenue and Capital Directorate outturn reports to Service Lead, Management Accounting	Thu 7 May	Thu 14 May	Finance Managers	Toby Bradley/Hine Thompson
Completion of NNDR3 Return. Sent to S151 Officer for approval (official submission date for NNDR3 TBC)	Fri 8 May	Tue 12 May	Jane Knight/Khurram Anwer	Toby Bradley/Hine Thompson

Financial Year-End 2025-26 (Year-End Planning Document)

Task description	Preparation date	Review date	Preparer	Reviewer / responsible officer
NNDR closed, with all relevant postings in Agresso	Fri 8 May	Fri 8 May	Jane Knight/Khurram Anwer	Toby Bradley/Hine Thompson
Post Agresso journals based on Actuarial Report	Thu 21 May	Tue 26 May	Mark Bibby	Khurram Anwer/David Leech
KEY DATE - Annual Governance Statement, Going Concern Report and Statement of Responsibilities to Corporate Board and Operations Board. Papers to include Draft Status Report on Statement of Accounts	Fri 29 May	Tue 2 Jun	Shannon Coleman-Slaughter	Joseph Holmes
KEY DATE - Outturn report/supporting papers to Corporate Board. Papers due date - TBC	Wed 3 Jun	Fri 5 Jun	Shannon Coleman-Slaughter	Joseph Holmes
KEY DATE - deadline for submissions to Operations Board. Papers due date - TBC	Thu 11 Jun	Thu 18 Jun	Shannon Coleman-Slaughter	Joseph Holmes
KEY DATE - DSG outturn report and schools' balances to HFG. Papers due date - TBC	Wed 24 Jun	Fri 26 Jun	Joshua Ngersa	Toby Bradley/Hine Thompson
KEY DATE - finalisation of Draft Statement of Accounts and Inspection Notice for review by S151 Officer and Service Lead, Management Accounting	Mon 29 Jun	Mon 29 Jun	Khurram Anwer	Shannon Coleman-Slaughter
KEY DATE - publication of Draft Statement of Accounts and Inspection Notice	Tue 30 Jun	Tue 30 Jun	Khurram Anwer	Shannon Coleman-Slaughter
KEY DATE - DSG outturn report and schools' balances to Schools' Forum. Papers due date - TBC	Thu 9 Jul	Fri 10 Jul	Joshua Ngersa	Toby Bradley/Hine Thompson
KEY DATE - Draft Statement of Accounts and Going Concern Report to Governance Committee. Papers due date - TBC	Tue 8 Sep	Tue 15 Sep	Khurram Anwer	Shannon Coleman-Slaughter
KEY DATE - Governance Committee. Papers due date - TBC	Tue 22 Sep	Tue 29 Sep	Khurram Anwer	Shannon Coleman-Slaughter

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Risk Management Q2 2025/26 Report – Part I

Committee considering report:	Governance Committee
Date of Committee:	27 January 2026
Portfolio Member:	Cllr Iain Cottingham
Date Service Director agreed report:	19 December 2025
Date Portfolio Member agreed report:	14 January 2026
Report Author:	Martyn Sargeant / Beatriz Teixeira

1. Purpose of the Report

- 1.1 To highlight the 16 corporate risks (as at the end of September 2025) that need to be considered by the committee and outline the actions that were being taken to mitigate those risks, in accordance with the [West Berkshire Council Risk Management Strategy](#)
- 1.2 To call attention to changes observed in the Corporate Risk Register (CRR) during the reference period, more specifically, those related to a change in scoring or to the closure or inclusion of a risk in the register.

2. Implications and Impact Assessment

Implication	Commentary		
Financial:	None.		
Human Resource:	None.		
Legal:	None.		
Risk Management:	The report outlines the key risks that Corporate Board are monitoring / managing at present.		
Property:	None.		
Policy:	There is no policy implications associated with this report.		
	Positive	Neutral	Negative
			Commentary
Equalities Impact:			
A Are there any aspects of the proposed decision, including how		x	

it is delivered or accessed, that could impact on inequality?				
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 or Digital Services Impact:		x		
Council Strategy Priorities or Business as Usual:	x			Risk management activities support the delivery of the objectives relevant to the Council Strategy priorities and other business as usual areas.
Data Impact:		x		
Consultation and Engagement:	The report is based on the updated Service Risk Registers provided by 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.			

3. Executive Summary

- 3.1 This report summarises a range of information relating to the Corporate Risk Register (CRR) and analyses any developments and emerging risks. It updates the committee on key issues and actions that they should be aware of.
- 3.2 During quarter 1 of 2025/2026 (as of 30 June 2025) the following changes were made to the CRR, all in the Resources directorate
- (a) One asset-related risk had its score increased from 15 to 20
 - (b) One financial risk last scored at 12 was closed.
 - (c) One compliance risk was escalated to the CRR.
- 3.3 During quarter 2 of 2025/2026 (as of 30 September 2025) the following changes were made to the CRR:
- (d) The score reduction of three risks from the Place directorate – two compliance (one from 16 to 12 and the other from 12 to 9) and one personal (from 9 to 6) risk.

- (e) One financial risk from the Resources directorate was increased from 20 to 25, the highest possible score according to the Council's Risk Management Strategy.
- 3.4 More detailed information on the modifications to the Corporate Risk Register can be found in Part II of this report (Part II - Appendix A: Changes in the CRR)
- 3.5 The submission of a part II report is due to the presence of exempt information, in accordance with 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](#). More specifically, information relating to:
 - financial/business affairs of particular person
 - legal privilege
 - proposed action to be taken by the Local Authority
- 3.6 The report introduces a new configuration to the presentation of the risk register, incorporating to the table overview the respective levels of acceptable risk exposure, in line with the [Council's Risk Management Strategy](#).

4. Assurance on the risk management approach

- 4.1 At its meeting on 30 September 2025, the Governance Committee highlighted the importance of risk management assurance – essentially that the procedures in place are enabling the Council to effectively manage and mitigate its risks. The Committee asked for an update at a future meeting.
- 4.2 The risk management strategy agreed in 2024 strengthened the Council's approach to risk management, particularly in its introduction of an assessment of the organisation's risk appetite. This enables the Council to assess whether a risk rating falls within an acceptable level of tolerance. For example, an operational risk may be rated with a net score of 12 (probability of three and impact of four). However, the Council's operational risk appetite is 'open' with an associated appetite score of up to 16. As such, a score of 12 is within appetite. Conversely, a financial risk with a net rating of 20 (probability of five and impact of four) significantly exceeds the maximum 'flexible' appetite score of 11. The latter risk therefore merits greater scrutiny.

- 4.3 The matrix below maps the risk scorings associated with the different risk exposure levels. These were the thresholds utilised to assess if the risks currently in the Corporate Risk Register exceed acceptable parameters as set by the Risk Management Strategy (Figure 1).



Figure 1. Heat map of risk appetite levels and Risk appetite levels according to the Risk Management Strategy

- 4.4 The table at paragraph 6.1 now includes details of the relevant appetite parameters and ranks each risk according to whether it exceeds the appetite and to what extent. This is done with a simple RAG rating as follows:
- RED: exceeds appetite threshold by three or more points.
 - AMBER: exceeds appetite threshold by up to two points.
 - GREEN: at or below the appetite threshold.
- 4.5 This will enable both officers and the Committee to focus their scrutiny on the highest risk issues outside appetite, whilst also having an overview of all the Council's key risks.
- 4.6 Please note that during the review of the risk appetite levels for the reconfiguration of the Corporate Risk Register overview table, it was observed that although the Risk Management Strategy outlines thresholds for *personal, staff, or customer* risks, it does not specify a distinct risk appetite for risks of this nature. In a conservative approach, this report has therefore applied an acceptable risk appetite of *Cautious* to *personal, staff, or customer*-related risks. In light of this, the report submits this assessment to

the Committee for review, seeking confirmation on whether such risks should continue to be treated with a *cautious* appetite or whether the Committee would prefer to establish an alternative tolerance level

- 4.7 The Council has taken the first step in evolving its risk management approach by applying the appetite principle at a corporate level. In order to strengthen this further, it is recommended a similar exercise should be conducted at directorate level. This enables greater nuance to be applied in considering risks because risk appetite will vary according to the service – for example, very little latitude may be appropriate in terms of compliance in children’s services, whereas greater leeway may be appropriate in another area.
- 4.8 In addition, where it is not already happening, it is recommended that a review of the directorate risk register should be carried out by leadership teams on a quarterly basis, in order to ensure:
- Pertinent risks are being captured.
 - Mitigations are appropriate and robust.
 - Risks are escalated to the corporate register when that is required.

5. Corporate Risk Register Heat Map (public version)

- 5.1 The Corporate Risk Register (CRR) is designed to summarise all major risks escalated by Directors and Service Leads for action or active monitoring at corporate level. The method used to score risks is detailed as part of the Risk Management Strategy. The risks and their respective scores can be found in the table below.

Directorate	Primary Risk Category	Current Score (Q2)		Score Variation from Q4
Resources	Assets (Physical & Information)	20	Extreme	↑5
Resources	Financial loss	25	Extreme	↑5
People (Children)	Financial loss	16	Extreme	0
Place	Compliance (litigation, regulatory, contract)	12	High	↓4
Place	Compliance (litigation, regulatory, contract)	16	Extreme	0
Place	Reputation	12	High	0
Place	Compliance (litigation, regulatory, contract)	12	High	0
Place	Personal, Staff or Customer	9	High	↓3
Resources	Compliance (Litigation, Regulatory, Contract)	12	High	New
People (Children)	Personal, Staff or Customer	10	High	0
People (Children)	Personal, Staff or Customer	9	High	0
People (Children)	Personal, Staff or Customer	9	High	0
Place	Personal, Staff or Customer	6	Moderate	↓3
Place	Personal, Staff or Customer	9	High	0
Resources	Financial loss	9	High	0
People (Adults)	Financial loss	8	High	0
People (Children)	Reputation	Closed		N/A

Table 1. Risk scores (public version)

- 5.2 As of the end of Q2, the 16 risks in the CRR (Figure 2) were categorised as such: 4 *extreme*, 11 *high*, and 1 *moderate* (Figure 4). The most common primary risk category is *personal, staff or customer*, which accounts for 6 risks. The categories *financial* and *compliance* come in second, with 4 risks each. The classification of all risks in the CRR is illustrated in the graphs below (Figure 3).
- 5.3 It is worth noting that at the end of Q4 2024/25, there were also 16 risks recorded in the corporate risk register. However, the register has been modified, with the closure of one risk and the inclusion of another

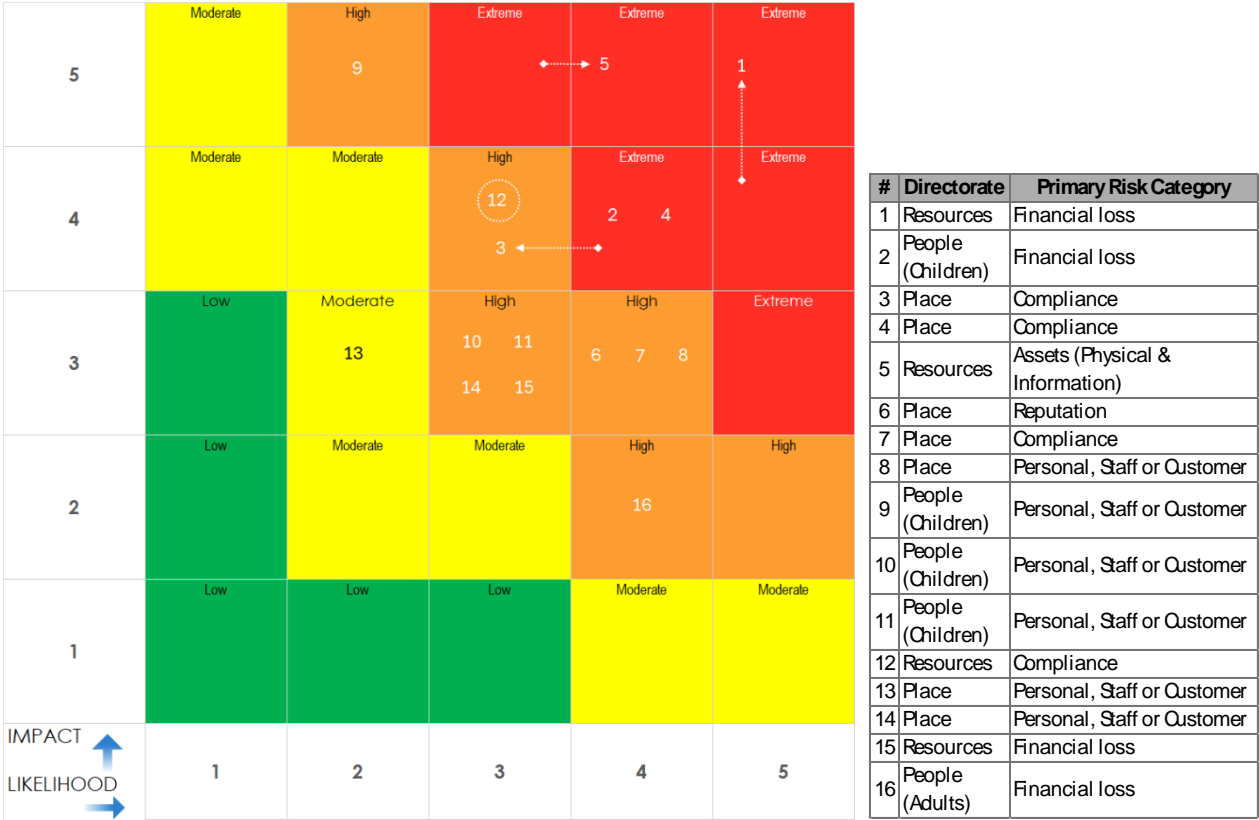


Figure 2. Heat map with current risk scores (public version)

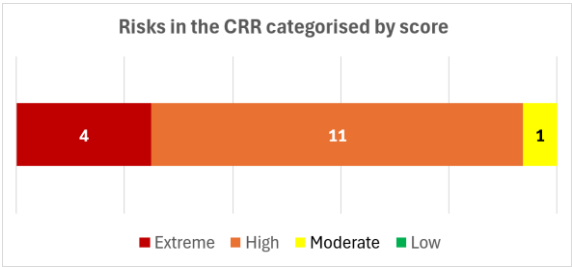


Figure 4. Risks in CRR by risk score

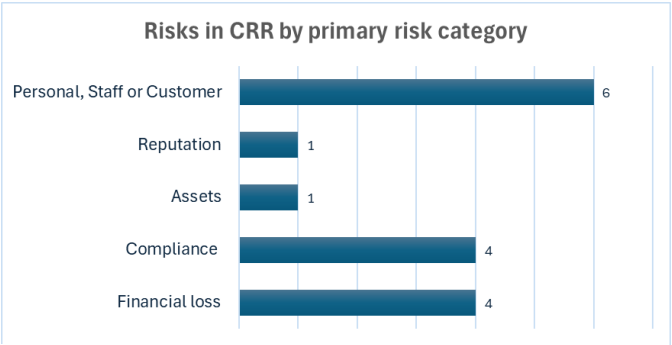


Figure 3. Risks in CRR by primary category

6. Overview of the Corporate Risk Register (public version)

6.1 The table below presents the exposure levels of the 16 risks in the CRR vis-à-vis their acceptable levels according to the Risk Management Strategy (Table 2).

Directorate	Primary Risk Category	Current Score (Q2)	Score Variation from Q4	Acceptable Risk Exposure	Current Risk Exposure	Deviation from Risk Appetite
Resources	Assets (Physical & Information)	20	↑5	Flexible	Seeking	+ 10
Resources	Financial loss	25	↑5	Flexible	Seeking	+ 15
People (Children)	Financial loss	16	0	Flexible	Seeking	+ 6
Place	Compliance	12	↓4	Flexible/ Open	Open	No deviation
Place	Compliance	16	0	Flexible/ Open	Seeking	+ 1
Place	Reputation	12	0	Open	Open	No deviation
Place	Compliance	12	0	Flexible/ Open	Open	No deviation
Place	Personal, Staff or Customer	9	↓3	Cautious	Flexible	+ 1
Resources	Compliance	12	New	Flexible/ Open	Open	No deviation
People (Children)	Personal, Staff or Customer	10	0	Cautious	Flexible	+ 2
People (Children)	Personal, Staff or Customer	9	0	Cautious	Flexible	+ 1
People (Children)	Personal, Staff or Customer	9	0	Cautious	Flexible	+ 1
Place	Personal, Staff or Customer	6	↓3	Cautious	Cautious	No deviation
Place	Personal, Staff or Customer	9	0	Cautious	Flexible	+ 1
Resources	Financial loss	9	0	Flexible	Flexible	No deviation
People (Adults)	Financial loss	8	0	Flexible	Cautious	- 1
People (Children)	Reputation	Closed	N/A	Open	N/A	No deviation

Table 2. Overview of Corporate Risk Register (Public Version)

- 6.2 As shown in the table, the scores attributed to nine of the risks currently in the Corporate Risk Register exceed the acceptable levels of risk appetite set in the Council's Strategy – three of them by more than 3 points. The remaining risks are currently within or below the acceptable risk levels, as illustrated in Figure 5.

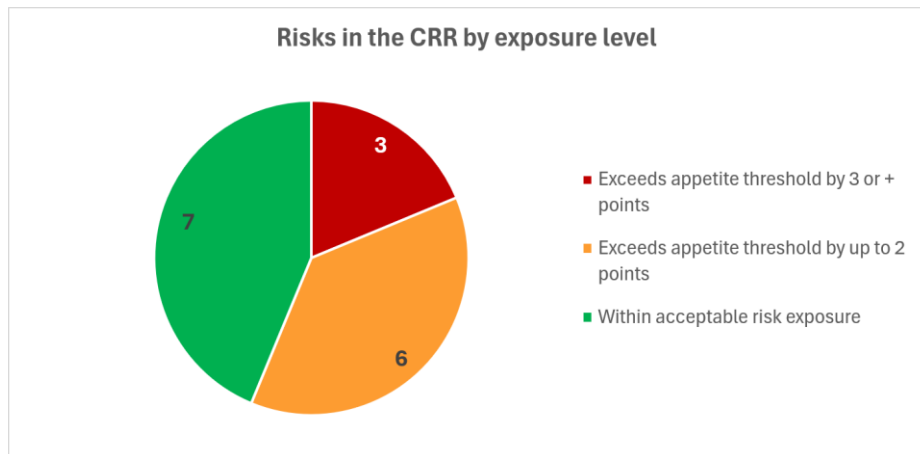


Figure 5. Risks in CRR according to their acceptable exposure levels

- 6.3 More details on the risks currently in the Corporate Register, information on mitigation actions in place and on emerging risks are available in Part II of this report (Appendix B: Overview Corporate Risks).

7. Recommendation(s)

- 7.1 That the Committee be informed of the current (as at the end of September 2025) position and actions undertaken to minimise the impact for existing 16 risks on the Corporate Risk Register (CRR), which are described in Appendix B and detailed in Appendix C, in the confidential Part II of this report.
- 7.2 That the Committee confirm the suitability of the new approach of CRR visualisation which incorporates risk appetites to assesses each individual risk in relation to the levels deemed acceptable by the Council's Risk Management Strategy.
- 7.3 That the Committee approves the proposed rectification of the omission in the Council Strategy to determine the risk appetite for *personal, staff or customer* risks as *cautious* until the time comes for the overall review of the current strategy (2024-2027)..

8. Conclusion

- 8.1 The report highlighted the variations observed in the Corporate Risk Register until the end of Q2 2025/2026 (30 September 2025). At time of reporting, there were **16 risks** in the CRR, all of which have been assessed in accordance with the Risk Management Strategy, including the acceptable exposure levels as per the Council's risk appetite.

8.2 More information on individual risks and the actions in place and planned for their mitigation can be found in the Part II of this report, more specifically in:

Appendix A – Changes in the Corporate Risk Register

Appendix B – Overview of the Corporate Risk Register (Confidential)

Appendix C – Detailed Corporate Risk Register (Confidential)

Background Papers:

None

Subject to Call-In:

Yes: ☐ No: ☒

The item is due to be referred to Council for final approval	<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>
Delays in implementation could compromise the Council's position	<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>
Item is Urgent Key Decision	<input type="checkbox"/>
Report is to note only	<input checked="" type="checkbox"/>

Wards affected: All

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