DRAFT

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

AUDIT AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON TUESDAY 28 JULY 2026

Present: Councillors Erik Pattenden (Chairman), Ross Mackinnon (Vice-Chairman), Laura Coyle, Carolyne Culver, Billy Drummond, Owen Jeffery and Alan Macro (Substitute) (In place of Jeremy Cottam), and Independent Member Simon Carey (attending virtually).

Also Present: Councillor Iain Cottingham (Executive Portfolio: Finance and Resources), Sarah Clarke (Executive Director (Resources)), Toby Bradley (Service Lead, Financial Management), Chris Dagnall (Interim Consultant) (attending virtually), George Winterbourne (Service Lead – Finance and Strategic Assets), Duncan Laird (KPMG), Gordon Oliver (Clerk) and Darius Zarazel (Zoom Host)

Apologies for inability to attend the meeting: Councillor Jeremy Cottam

PART I

14 Declarations of Interest

There were no declarations of interest received.

15 KPMG External Audit Plan and Strategy: 2025-26

Councillor Iain Cottingham (Executive Portfolio Holder: Finance and Resources) and Duncan Laird (Audit Director, KPMG) presented the External Audit Plan and Strategy: 2025-26 (Agenda Item 3).

Members noted that the Council had maintained its general fund balance at £10.6M, met statutory publication deadlines, and complied with all prudential indicators despite the challenging economic environment. This was acknowledged as a very good result for a financially pressured authority. In addition to auditing the numbers in the financial statements, KPMG would look at how the Council had managed its finances throughout the year. Various mechanisms had been put in place, including the Finance Improvement Plan, Finance Improvement Group, Finance Review Panel, and a Cost Centre Review to deliver greater understanding of the drivers of costs and revenue expenditure. This had led to a step-change improvement in the management of financial risk within the Council.

A question was asked about the consequences of failing to meet the statutory deadline for preparing the external audit. It was explained that this would result in a disclaimer opinion being issued, and rebuilding assurance being pushed back. There would be no financial penalties if the deadline was missed.

KPMG was asked about potential significant risks that may emerge. Possible examples included those associated with Local Government Reorganisation and removal of statutory overrides on infrastructure assets or Dedicated Schools Grant.

KPMG indicated that they would try to accelerate their timetable and issue a draft audit before Christmas to allow more time for review. Effective communication and information flow would be critical to achieving this. They were confident that the audit would be completed by 29 January at the latest, which was two days ahead of the statutory deadline.

It was suggested that the date of the Audit and Risk Committee in January would be kept under review.

It was highlighted that ensuring the robustness and integrity of the balance sheet would be a key focus for the audit.

RESOLVED that the report be noted.

16 Financial Statements 2025/26 Highlights and Going Concern Assessment

Chris Dagnall (Interim Consultant) presented the Financial Statements 2025/26 Highlights and Going Concern Assessment (Agenda Item 4).

Members asked about the level of Emergency Financial Support (EFS) required in 2027/28. It was confirmed that there was no forecastable change to what was in the budget (approximately £40M). However, a budget refresh was underway, which would include a refresh of the Medium Term Financial Strategy, and EFS numbers would be updated as part of this process.

There was a question about pension liabilities following Local Government Reorganisation. This was yet to be confirmed.

The Committee noted that the Council had applied for grant funding to cover 90% of its SEND High Needs deficit accrued to the end of 2025-26. Members asked about the impact of Oxfordshire County Council's debt on the new Ridgeway Council, and what contingency plans had been put in place in the event that the full 90% was not achieved. It was noted that disaggregation work was ongoing across the Oxfordshire authorities. The timeline would be shared with Members once agreed, but it would most likely extend beyond vesting day for the new local authorities in 2028.

Members asked if there was confidence that the Council's SEND Reform Plan would be accepted by central government. It was explained that there had been a two-stage process, with interim and final submissions. The Council had complied with all requested changes, and initial feedback had been positive, so it was hoped that the grant would be paid as expected.

There was a question about reducing reliance on EFS and returning to a more sustainable borrowing position. It was explained that planned social care expenditure for 2026/27 totalled £134M, which accounted for most of the income from Council Tax and retained Business Rates (£147M). The Council was doing its best to reduce costs, but many social care costs were outside of its control. It was noted that local government funding formula prioritised areas of social deprivation - WBC was only allowed to retain 13% of the business rates it collected.

The Committee queried the provision for short-term debtors. Officers indicated that there were no concerns. Monthly reconciliations were produced as part of which debts and trends were reviewed. Variations occurred due to the timing of Easter and whether the last working day of the year fell on a weekday or at a weekend. Auditors had not identified any concerns in this respect. The £3.5M provision within the Collection Fund allowed for cost of living challenges.

Members suggested that given the provisional status of the EFS and SEND deficit grant, these significant uncertainties should be mentioned in the conclusion of the Going Concern Assessment. Officers indicated that there was reference to EFS throughout the document and the balance sheet was not significantly different to the previous year when a Going Concern Assessment had been signed off. It was highlighted that there were 35 Councils in receipt of EFS, and central government had indicated that they would be the 'bank of last resort'. Local authorities had been allowed to capitalise excess revenue expenditure and pay this back through interest on EFS. WBC was making representations to central government expressing concerns about the inclusion of Minimum Revenue Position (MRP) within EFS, which added 8% to the revenue account. If the government reversed its decision to fund 90% of SEND deficits, then it was suggested that most local authorities would go bust. This was considered highly unlikely. As such, loss of EFS and SEND deficit payments were considered high impact, but very low probability risks.

KPMG explained that auditors of local authorities were required to consider 'continuity of service provision'. So long as there was a body providing local authority services in West Berkshire, then that entity was a going concern. This was set out in Practice Note 10. In order for a local authority not to be considered a local concern, central government would have to announce that they were getting rid of the body and that no services would be provided in the affected local area.

Members asked about business rates retention in South Oxfordshire and Vale of White Horse Councils. It was highlighted that Oxfordshire County Council collected business rates as the upper tier local authority. It was not clear what proportion were attributable to each district.

Concerns were expressed about the morality of using the balance surpluses of South Oxfordshire and Vale of White Horse to solve the financial issues faced by West Berkshire Council. Officers indicated that the initial focus of Local Government Reorganisation was on two-tier areas and small unitary authorities in financial distress, in recognition of the challenges they were facing. This was a sector issue rather than something particular to West Berkshire. The government's decision would result in the creation of three new councils, with the assets and liabilities of the existing authorities shared across the new bodies. It was noted that a similar process had taken place when Berkshire County Council was replaced in 1998.

RESOLVED to note the report.

17 Annual Treasury Management Review 2025/26

Councillor Iain Cottingham (Executive Portfolio Holder: Finance and Resources) and George Winterbourne (Service Lead - Finance & Strategic Assets) presented the Annual Treasury Management Review 2025/26 (Agenda Item 5).

Members noted that borrowing had exceeded £300M and asked how much the Council was comfortable in borrowing. It was explained that affordability was key, which was linked to interest rates. There were no central government restrictions on how much could be borrowed, but they were overseeing the Council's spend from an Emergency Financial Support (EFS) perspective and would expect the Council to borrow and spend responsibly. WBC set its own internal rules, which were set out in Appendix C of the report. These were presented to Council annually for agreement.

In relation to the finances of South Oxfordshire and Vale of White Horse Councils, it was noted that these would be subject to transfer of assets and liabilities from Oxfordshire County Council. Also, boundary changes around Oxford would result in further disaggregation of assets and liabilities.

There was a question about planned capital expenditure not incurred as anticipated. It was confirmed that this was mostly for Grazeley solar farm. It was still planned to deliver the scheme, and the business case was being developed. This would be positively impacted by the Ridgeway Council proposal, since there would be more demand for electricity within the new authority's estate. Construction would be phased.

Members noted that the rate of return for property investments appeared to be based on closing rather than opening valuations. Officers agreed to review this.

Action: Officers to check the valuation used to calculate the rate of return for property investment in section 5.22 of the report.

Inconsistencies between the figures for the Council's rate of return on investments and the Sterling Overnight Index Average (SONIA) quoted in paragraph 5.19 and Appendix D were highlighted.

Action: Officers to check the figures in 5.19 and Appendix D.

The Committee welcomed the fact that borrowing costs were lower than the budgeted figure and asked if this could be expected to continue. It was confirmed that this had been due to a combination of prudent budgeting and the fact that external borrowing had been lower expected. This would change in future if the solar farm was built out.

Members noted the significant increase in the liability benchmark by 2028 and asked how that would be managed. It was acknowledged that this would increase reliance on EFS, and a greater proportion of capital borrowing would be required to service EFS repayments. This would impact the capital programme.

RESOLVED to note the report.

(The meeting commenced at 6.30 pm and closed at 7.37 pm)

CHAIRMAN …………………………………………….

Date of Signature …………………………………………….