

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 29 JULY 2025

Councillors Present: Howard Woollaston (Vice-Chairman in the Chair), Dennis Benneyworth (Substitute for Councillor Dominic Boeck), Laura Coyle, Carolyne Culver, Billy Drummond, Owen Jeffery, Alan Macro (Substitute for Councillor Jeremy Cottam), and Stephanie Steevenson

Also Present: Councillor Iain Cottingham (Executive Portfolio Holder for Finance and Resources), Simon Carey (Independent Member – Audit), Sam Chiverton (Zoom Host), Julie Gillhespey (Audit Manager), Elizabeth Griffiths (Deputy Section 151 Officer), Ed Mills (KPMG), David Southgate (Parish Council Representative), Nicola Thomas (Deputy Monitoring Officer and Service Lead for Legal and Democratic Services), and Darius Zarazel (Principal Democratic Services Officer)

Apologies for inability to attend the meeting: Councillor Erik Pattenden Councillor Jeremy Cottam (Substituted by Councillor Alan Macro), and Councillor Dominic Boeck (Substituted by Councillor Dennis Benneyworth)

PART I

1 Minutes

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

RESOLVED: That the Minutes of the meeting held on 15 May 2025 were approved as a true and correct record and signed by the Chairman.

2 Declarations of Interest

There were no declarations of interest received.

3 Forward Plan

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

Satisfied with the Plan, the Governance Committee agreed that it could be noted.

4 Annual Internal Audit Assurance Report 2024/25

The Committee considered the report (Agenda Item 5) concerning the Annual Internal Audit Assurance Report for 2024/25.

The Audit Manager introduced the report and highlighted that it was a requirement for it to be brought to the Committee annually. Members noted the conclusion of the report, that reasonable assurance could be given that the Council's governance, risk management, and internal audit control frameworks remained robust. The reason for this opinion was due to the low number of low opinions audits, as opposed to those considered satisfactory or above. In addition, the report also updated the Committee on the audits undertaken and completed over the past quarter.

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On a question about the Council's financial resilience, and what the consequences would be if the Council did not receive Emergency Financial Support (EFS) from the Department of Housing Communities and Local Government (MHCLG), the Audit Manager indicated that these types of questions were not covered by the Internal Audit Team. As their work was retrospective, ensuring that the Council was operating effectively, questions about being able to balance the budget and spending and their potential consequences would be for the Section 151 Officer and the relevant Portfolio Holder.

The Committee discussed the rate of senior management vacancies as it was considered a risk in past audits. Members were assured that only one of the top 15 positions was not filled and that, although work on recruitment was ongoing, this area was not considered to be a significant concern, as it was previously.

In response to a question about allegations of potential fraud/wrongdoing that had been raised, the Audit Manager confirmed that several external whistleblowers had raised concerns but that, upon investigation, there was no evidence to substantiate the allegations. In addition, the Executive Portfolio Holder for Finance and Resources indicated that fraud was a risk in every organisation, but that the Council had robust internal controls and a whistleblower policy to control that risk. The Audit Manager also assured Members that the allegations were not malicious and that the two external people who submitted them had been kept fully informed of the investigation outcome. As these individuals were not members of staff, victimisation as a result of whistleblowing was not applicable.

The Audit Manager went on to confirm a number of points made in the report. For example, it was highlighted that the Committee would receive progress reports on previous audits which received a limited assurance rating and that any issues relating to corporate risk management would be dealt with by the services risk registers and taken to the Committee through the regular risk management reports. The risks around Local Government Reorganisation were also noted as being a part of risk registers, although the internal audit team could scrutinise a reorganisation plan once it had been agreed. In addition, school audits were noted as providing recommendations, but that it would be up to the schools to implement them.

Members noted Appendix D to the report and enquired into if Agresso was fit for purpose given that some tasks in the system had been found to be unwieldy and time consuming. In response, the Audit Manager indicated that, as a system upgrade was imminent, resources had not been put into tailoring the system for specific tasks. However, once there had been a system upgrade, greater consideration could be given to the effectiveness of the technology and if any concerns remained.

On a question about how the level of audit plan days was calculated, the Audit Manager mentioned that this was based on the number of people in the team and a calculation of productive days possible per person. It was also mentioned that she believed their performance indicator of completing 80 per cent of the audit plan was reasonable bearing in mind the number of productive days per person was at the higher end of other council Internal Audit teams when this was benchmarked. The annual 80 per cent productivity target of the planned work was therefore considered reasonable.

As they were satisfied with the report, the Committee agreed to note the Annual Internal Audit Assurance Report for 2024/25.

5 Annual Treasury Management Review 2024/25

The Committee considered the report (Agenda Item 6) concerning the Annual Treasury Management Review for 2024/25.

The Deputy Section 151 Officer introduced the report and confirmed that the Council had complied with its investment and borrowing strategy and prudential indicators. In response to a question about why loans from the Public Works Loan Board (PWLb) from 1996, maturing in 2056, had not been paid off early, she indicated that there would likely be high early redemption costs. She assured Members that officers would have assessed the efficiency of both continuing the payments as planned against the penalties of early redemption.

Members also noted the definition of some of the terms presented in the report and that the Council had set limits around how much it would allow itself to borrow as part of the regular budget approval process. The Deputy Section 151 Officer confirmed that the Council had remained within those set borrowing limits.

On a question about if the lack of earmarked reserves for property maintenance could affect a property's value, the Committee noted that this sinking fund would be helpful but that the Council's financial position made this untenable. However, the Executive Portfolio Holder for Finance and Resources indicated that some of the capital budget could be used for maintenance but that the current tenants were responsible for repairs until the end of their leases.

The Committee noted that the balance between investments and borrowing would not likely affect the Council's access to future borrowing as most of this was done through peer-to-peer lending (by other local authorities) or by the PWLB. In addition, the Executive Portfolio Holder for Finance and Resources indicated that West Berkshire Council was borrowing about £1,600 per resident, whereas a number of other authorities were borrowing closer to £2-3,000 per resident. He also confirmed that the Council's short-term borrowing was no more than 30 per cent of total borrowing.

In response to a question about why the value of the commercial property portfolio had reduced by around £1m, and why the Council had not moved faster to reduce its exposure, Members noted that this was due to the attractiveness of this type of property having changed over time. In addition, disposal of these properties would also impact on the revenue budget as long term tenants would contribute to this through rent.

Members were assured that the revaluation of the portfolio did not affect the Council's general fund and, as it was not a revenue pressure, they would not have to find an additional £1m in cuts to services or increase council tax to cover the change.

As the Committee was satisfied with the report and that the Council complied with its approved strategy and prudential indicators, Members agreed to approve the report.

RESOLVED: That the Committee approve the annual treasury management report for 2024/25 and note that the Council's plans complied with the investment and borrowing strategy and the prudential treasury indicators for the period.

6 Financial Statements 2024/25 Highlights and Going Concern Assessment

The Committee considered the report (Agenda Item 7) concerning the Financial Statements 2024/25 Highlights and Going Concern Assessment.

The Deputy 151 Officer introduced the report and highlighted key elements from the Council's financial statements and the rationale as to why the Council was still considered to be a going concern. She also assured the Committee that the Council had financial headroom provided by the EFS and a reasonably healthy balance sheet of assets.

Members questioned the terms of the EFS provided by MHCLG, including how they would monitor the Council's effective use of the funds, what type of loan it was, and if there were any conditions attached to it. In response, the Deputy Section 151 Officer indicated that, although there were no conditions attached to the EFS, Central Government met regularly with the Council to monitor progress on its plans and to see if it was taking prudent financial decisions. In addition, Members noted that EFS was essentially a loan as it was money that would be repaid over 20 years and that the rate of interest charged would be at the rate set by the PWLB – this was in contrast to the historic figure levied against Councils who issued a Section 114 notice which were required to pay the PWLB rate of interest plus one per cent.

The Committee discussed the effects of the Fair Funding Review 2.0, noting that it would have a potential impact on the business rates received by the Council. In addition, the new calculation of need was also raised as a potential risk as it would be determined by the level of deprivation in the area, although the full impact of this change was yet to be understood.

In response to a question about how there was a reduction in the long-term pension scheme liability, Member noted that pension actuaries had come to this conclusion based on a number of metrics such as life expectancy and population growth. This type of pension liability re-examination was done every few years.

The Executive Portfolio Holder for Finance and Resources confirmed to the Committee that new internal governance arrangements had been put in place to regularly review the budget and scrutinise spending proposals and that work was also underway into the financial impact of the Ridgeway Local Government Reorganisation proposal.

As they were satisfied with the report, the Committee agreed to note the Financial Statements 2024/25 Highlights and Going Concern Assessment.

7 Annual Governance Statement 2024/25

The Committee considered the report (Agenda Item 8) concerning the Annual Governance Statement for 2024/25.

The Deputy Section 151 Officer introduced the report and highlighted that the draft Annual Governance Statement had been published in the Council's financial statement but needed to be approved by the Governance Committee. The Annual Governance Statement examined four key areas, the general Government requirements, and areas of focus for the upcoming year. These four key areas were financial resilience, delivering better value for Special Educational Needs and Disabilities (SEND) services, the transformation programme, and senior management structures.

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In response to a question about why ‘embedding senior management structures to provide clear and consistent direction and stewardship for the organisation’ was not included in the 2024/25 Annual Governance Statement, the Deputy Section 151 Officer confirmed that this was a result of the significant work that had been completed in 2023/24.

It was suggested that a RAG rating and a clearer way of showing the change or progress on items would be beneficial so that Members could better understand what had changed across the period.

The Committee also noted that a report was recently taken to the Schools Forum which outlined the progress made on ‘delivering better value in SEND services programme’, and that the cost avoidance and savings outcomes outlined had been formulated using the methodology provided by Central Government.

However, a point was raised that the issues with SEND funding, and the High Needs Block (HNB) deficit, were shared by all local authorities with responsibility for adult social care and children’s services. If the Government did not put a proposal forward to deal with HNB deficits, it would continue to sit on the balance sheet and require the Council to pay significant and increasing interest payments.

On the expanded transformation programme, Members noted that the savings made in the current financial year would be presented in the quarter one 2025/26 treasury outturn report, but that progress had been made in several key areas.

As the Committee were satisfied with the Annual Governance Statement as proposed, they agreed to approve the recommendations.

RESOLVED: That the Committee approve:

- A) The Annual Governance Statement (listed as Appendix A to the report), and
- B) The updated Code of Local Governance

(The meeting commenced at 6.30pm and closed at 8.13pm)

CHAIRMAN

Date of Signature