



Auditor's Annual Report for West Berkshire Council DRAFT

Year-ended 31 March 2025

—

27 January 2026

Contents



DRAFT

Key Contacts

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

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

	Page
01 Executive Summary	3
02 Audit of the Financial Statements	6
03 Value for Money	11
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.

Governance

DRAFT

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>





kpmg.com/uk

© 2026 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Public