Annual Governance Statement

1. Scope of Responsibility

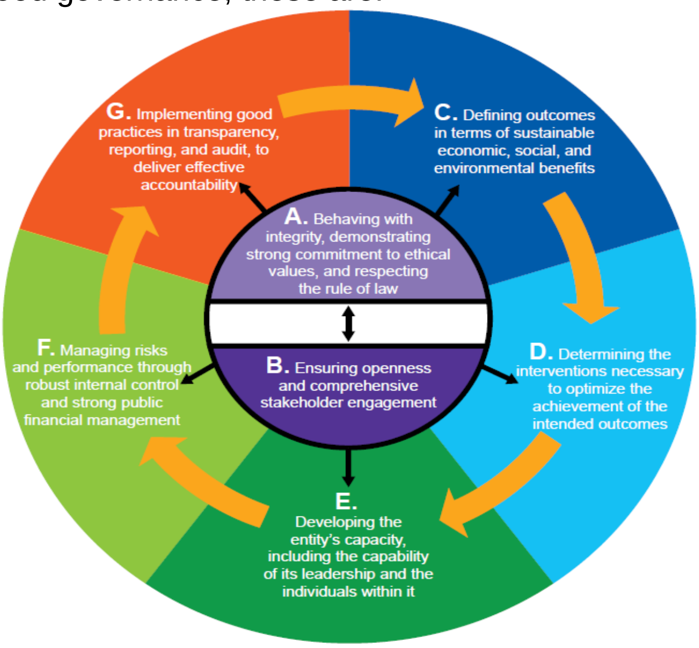
1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance as detailed in the CIPFA / SOLACE framework of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 This Statement explains how West Berkshire Council has complied with the principles of Good Governance set out in “Delivering Good Governance in Local Government: Framework” by CIPFA and SOLACE 2016, together with the Addendum issued in May 2025. This also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice.

2. The Governance Framework

2.1 There are a number of key elements to the systems and processes that comprise the Council’s governance arrangements. These elements are fully detailed in the local Code of Governance and are underpinned by the CIPFA / SOLACE framework. The framework “Delivering Good Governance in Local Government” sets out seven core principles of good governance, these are:



2.2 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.

2.3 The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.4 The governance framework has been in place at West Berkshire Council for the year that ended 31 March 2026 and up to the date of approval of the Statement of Accounts. The Governance Committee approved a Code of Local Governance at its meeting in July 2025 which supports the framework for the compilation of the Annual Governance Statement.

3. Methodology for preparing the Annual Governance Statement

3.1 This Annual Governance Statement (AGS) provides assurance on the effectiveness of the Council's governance framework. The Council's governance arrangements comprise the systems, processes, cultures, values and independent oversight by which it is directed and controlled, enabling it to deliver its priorities in an open, accountable and lawful manner. These are more fully detailed in the Council's Code of Local Governance.

3.2 This Annual Governance Statement has also been informed by the following:

- Review of the Chief Internal Auditor opinion and quarterly internal audit progress reports
- opinions of External Auditors (KPMG)
- The work of the Constitution Review Task Group reviewing the Constitution on annual basis and referring changes to the Governance Committee and Council.
- The Audit and Risk Committee (previously the Governance Committee) approves the Annual Governance Statement at the same time as the final approval of the financial statements and is signed off by the Chief Executive and Leader of the Council.

- Review of Finance Performance Reports, the Corporate Risk Register, and Performance Reports by Corporate Board and Governance Committee.

- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman, the Care Quality Commission (CQC) and external auditor KPMG.

- It should be noted that Full Council in May 2026 approved the transfer of key governance functions from the Governance Committee (which will cease to exist) into the Audit and Risk Committee.

Review of effectiveness

4.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team who have responsibility for the development and maintenance of an effective governance environment. This review is articulated in the Code of Corporate Governance approved by the Governance Committee in July 2025.

4.2 It is important to reflect on the previous year's key areas for improvement and its impact on governance. The main item that has dominated the year 2025/26 has been financial sustainability. The provisional outturn position for 2025/26 is £192.9 million of net expenditure against a net budget of £183.4m, with an adjusted overspend position of £188.8m. The overspend position continues to be driven by a range of factors including, increased placement costs for client packages in both adults and children's social care, a reduction in government funding support via the Government finance settlement, slower growth to the Council's tax base, and increasing capital financing costs attributable to financing the deficit position relating to the DSG and the High Needs Block, and the financing of the Minimum Revenue Provision associated with the EFS request, as well as much higher interest rates on new borrowing due to pressure in the macro economy.

4.3 The financial situation of the Council remains extremely difficult, as reflected in the CIPFA Financial Resilience review, the report of our External Auditors (KPMG) and the statement of the s151 Officer pursuant to section 25 Local Government Act 2003 appended to the Revenue Budget 2026/27. Exceptional Financial Support (EFS) funding has again been secured to mitigate the impact of the 2025/26 outturn on the Council's General Fund and to ensure that there are adequate reserves. However, EFS is short-term assistance, it is not a sustainable long-term solution and EFS funding must be repaid with compound interest. It is therefore essential that the Finance Improvement Plan be delivered to address the structural income and expenditure gap in the Council's finances and to achieve financial resilience without the need of EFS. This item has therefore been retained within the AGS due to the ongoing funding constraints that are impacting the Council's financial resilience.

4.4 A number of actions were taken during 2025/26 to address the challenging financial position, including:

- Adoption of the Finance Improvement Plan (December 2025)
- Establishment of the Finance Improvement Group to provide external challenge and assurance
- Strengthening of financial control mechanisms, including Spend Panels and Financial Review Panel
- Development of a delivery plan with defined actions, ownership and milestones across key themes, including the introduction of the GPAW Boards against the themes of Growth, Prevention, Assets, and 'We Can' Culture.

4.5 These actions have started to have some impacts. The final outturn position, though still an overspend, has reduced between Q3 and Q4 by £3.2m. The deficit on the DSG (Dedicated School's Grant) high needs block has also reduced compared to the forecast outturn by £4.8m. These elements of progress are reflected in a reduced Exceptional Financial Support (EFS) requirement from £20m to £17m for 2025-26 and will need to be continued to further reduce the requirement for EFS into future financial years.

4.6 The transformation programme has progressed, and the Transformation and Corporate Programme Board has been reviewed to ensure appropriate oversight of the Transformation programme by Members of the Executive and the Senior Leadership Team. The Transformation Programme has also been subject to a number of reviews over the past year by the Resources and Place Scrutiny Committee, to highlight the work undertaken and the financial and other benefits delivered by the programme. The development and approval of the new Transformation Programme has commenced but is not yet approved. Given the financial position of the Council, and the need to transform services to reduce financial pressures, this is another area that remains an area of focus for the year ahead to increase effectiveness, economy and efficiency.

4.7 The centralisation of all project management capacity into a central projects team has brought benefits and improved capacity and resilience to focus on significant projects. Project management was also the subject of a Scrutiny Task & Finish Group Review, which concluded that "*Members of the Task and Finish Group are encouraged by the improvements to project management practices that are being rolled out through the Projects Service. It is clear that there are pockets of excellence, with project managers and project sponsors who are delivering in accordance with agreed project management methodologies*." Given the level of change that is required over the coming year, ensuring that the Projects Service fully embeds the improvements identified, and that this resource is deployed to support priority projects, remains a critical concern.

4.8 The Council has progressed the move of the Delivering Better Value Programme into business-as-usual activity. However, Children's Services and SEND are currently subject to significant system wide reform, driven by the Government's focus on improving outcomes, inclusion, and value for money. This includes changes arising from the SEND and Alternative Provision Improvement Plan, strengthened accountability expectations, and an emphasis on earlier intervention, wider use of local provision, and consistency of practice across areas. While these reforms aim to improve experiences and outcomes for children, young people and families, they have material implications for local authorities at a time of acute financial pressure, workforce shortages and rising demand.

4.9 The Council is required to deliver this transformation alongside maintaining statutory services, against a backdrop of high-needs deficits, increased placement costs, and constrained general funding. This makes it challenging, within existing resources, to also invest in essential prevention and market development. The combined effect is increased financial and operational risk, heightening the importance of strong partnership working with health, robust financial management, and clear governance to balance improvement ambitions with affordability and sustainability in an exceptionally challenging fiscal environment.

4.10 A new area of focus that therefore been added for the upcoming year to consider capacity and culture, to ensure that resources are appropriately deployed to support Government reform and transformation activity delivering measurable savings.

5. Key Governance areas for improvement

5.1 The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the coming year and these are:

Issue	Detail	Action	Owner / Date
Financial Resilience and Sustainability	The financial challenge is ongoing and will require sustained focus and delivery over the medium term.	Implementation and delivery of the Finance Improvement Plan Fully embed and keep under review the new financial governance, including monthly budget monitoring and early development of savings proposals	Service Director Finance, Property and Procurement and Executive Director (Resources) – February 2027
Securing High Needs Stability Grant funding to address circa 90% of the deficit as detailed in the Final Local Government Finance Settlement 2026/27 and accompanying	The DSG statutory override (which keeps deficits off councils' general fund) remains in place until 31 March 2028. The write-off is intended to ensure that when the override ends, councils are not exposed to catastrophic balance-sheet failure,	Submission of a DfE approved local SEND reform plan demonstrating: • A credible route to financial sustainability • System wide reform • Alignment to national SEND reform direction	Executive Director (People – CFS) – March 2027

DfE/MHCLG technical notes	resulting in a s114 scenario.	• A plan to deal with the balance of the deficit	
Enhance the delivery of the Transformation Programme to achieve sustainable savings and support delivery of sector wide reform.	The sector is currently subject to significant reform, across key areas such as Children's Services and SEND. Local Government Reorganisation may also have a significant impact. If proposals submitted to Government including West Berkshire are accepted. The Council also needs to deliver significant savings as part of the move to financial sustainability.	Update the transformation programme to identify key strategic transformation opportunities that must be supported and delivered in the short and longer term.	Service Director (Transformation) and Executive Director Resources February 2027
Capacity and Culture	Given the scale of change that the Council must deliver in response to Government reforms, and to support the financial challenges, there is a risk regarding the capacity and culture required to deliver the scale of change required.	A prioritisation exercise needs to be undertaken to ensure that the resources that are available are appropriately focussed. The Council needs to be 'change ready', and a review should be undertaken to consider what support can be provided to ensure staff remain resilient throughout upcoming change.	Executive Director Resources September 2026 Executive Director Adults (We Can Culture Board) September 2026
Embed updated Project Management arrangements	The Council is undertaking a number of large transformation projects and also needs to continue to	Ensure that officers involved in running projects are using the updated and	Service Director Transformation and Executive

	deliver important business as usual services to our communities. Significant progress has been made over the past year, but needs to remain a focus to ensure that good practice becomes the default	improved methodology. Ensure that all projects are being operated to the same standards.	Director Resources February 2027

6. **Assurance Summary**

6.1 Good governance is about operating properly. It is the means by which the Council shows that it is taking decisions for the good of its residents, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the Council would find it difficult to operate services successfully.

6.2 The Internal Audit Opinion for 2025/26 is that the Council's framework of governance, risk management and management control is 'reasonable' and that audit testing carried out during the year has demonstrated controls to be working in practice. The assessments contained within this document highlight that there are effective arrangements in place to continue to deliver good governance, but that four key areas are highlighted to further improve our governance.

6.3 We propose, over the coming year, to take the actions detailed in this report to improve our governance arrangements. We are satisfied that these steps will deliver the improvements required and we will monitor their implementation and operation during the year and as part of our next annual review.

Leader of the Council **Chief Executive**

Date: Date: