



# Reading Borough Council

## Value for Money Report

Year ended 31 March 2023

31 July 2024



Audit and Governance Committee  
Reading Borough Council  
Council Offices  
Reading

31 July 2024

Dear Audit and Governance Committee Members,  
2022/23 Value for Money Report

We are pleased to attach our commentary on the Value for Money (VFM) arrangements for financial year 2022/23 of the Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting as appropriate.

Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit and Governance Committee and management of Reading Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Reading Borough Council those matters we are required to state to them in this 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 Audit and Governance Committee and management of Reading Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





# 01 Executive Summary



# Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken during the period 2022 to 2024 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years. There has been a change in audit Partner from Maria Grindley, for 2021/22 to Janet Dawson for 2022/23 due to independence rotation requirements and each Partner has reviewed and delivered the report with respect to the appropriate year.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Chief Accountant and Director of Finance;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we identified a significant risk related to *Governance: How the Council ensures that it makes informed decisions and properly manages its risks and Improving economy, efficiency and effectiveness: How the body evaluates the services it provides to assess performance and identify areas for improvement* as part of our risk assessment procedures. We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
Governance: Failure to maintain a sound system of internal control specifically on areas relevant to financial reporting.	In forming our assessment, we have performed a full and detailed review of the annual internal audit reports to identify any discussion of the improvement plan to address the weakness in internal controls and whether this has been designed and implemented by the Council. We also performed high level testing of bank reconciliation in order to identify that the previous year's reconciliation improvement plan has now been implemented.
Improving economy, efficiency and effectiveness: Failure to significantly improve external inspection findings of Childrens services which mean that the service is assessed as having under-performed for a number of years.	In forming our assessment, we have performed the following procedures. <ul style="list-style-type: none"><li>• Review the Ofsted focused visit reports and inspection reports for the period under audit and subsequent periods.</li><li>• Obtain and review any correspondence between Ofsted and the Council; and</li><li>• Review the minutes from Council meetings, including any reports released and approved by the Council that is relevant to our understanding of this significant weakness.</li></ul>



# Executive Summary (continued)

## Reporting

Our commentary for 2022/23 is set out over pages 16 to 30. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Failure to maintain a sound system of internal control specifically on areas relevant to financial reporting.	No significant weakness identified
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	Failure to significantly improve external inspection findings of Childrens services which mean that the service is assessed as having under-performed for a number of years.	We concluded that significant weakness still exist in the Council's arrangement for the safe provision of children's services in the period specifically in respect of the evaluation of the services provided to assess performance and identify areas for improvement.



# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2024:

[EY UK 2024 Transparency Report | EY - UK](#)





## 02 Value for Money Commentary

# Value for Money Commentary

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

No significant weakness identified

## Financial Performance

The provisional outturn position of the General Revenue Fund is a positive net variance of £4.191 million against the net budget of £149.990 million. This includes £12.530 million of net transfers from reserves approved under delegated authority by the Director of Finance. The positive net variance noted for financial year 2022/23 was largely due to the combined net effect of:

- (i) overspent of £1.221 million Economic Growth and Neighbourhood Services due to the income and other services shortfalls still attributable to the aftermath of Covid-19;
- (ii) overspent to £2.845 million in Children's Services by BFFC mainly due to contract inflation on social care placements, home to school transport and unavoidable high-cost placements in relation to two individual cases.
- (iii) provisional positive net variance of £7.562 million in Corporate Budgets due to capital financing costs and contingency budget not being utilised for FY 2022/23.
- (iv) Positive variance of £0.618 million within funding.

Overall, we deem this to be a well-managed, well documented and appropriate performance achievement for the period.

## Financial Position

From the unaudited statement of accounts of the Council for financial year 2022/23, the total Usable Reserves (i.e. General Fund Balances and Earmarked Reserves) decreased by £13 million due to approved transfers to meet expenditure on the provision of services and other in-year transfers. The balance of the Council's General Fund remained at £8.2 million and is above the Council threshold for General Fund balances. The Earmarked Reserves decreased to £70.98 million which largely relates to the net transfer in of £5.69 million in Financial Resilience Reserve and net transfer out of £12.485 million from Revenue Grants Unapplied Reserve, £5.935 million from Capital Finance Smoothing Reserve and £3.417 million in Collection Fund Smoothing Reserve. The Council also held £54.2 million in cash and cash equivalents.

# Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services (cont'd)

No significant weakness identified

## Budgets and Medium-Term Financial Strategy (MTFS)

The budget for 2022/23 was approved in February 2022 by the Council. The Council was able to produce a balanced budget for the financial year in-line with statutory duties, however the MTFS published in February 2024 identified a cumulative budget gap to 2026/27 with the budgets for 2025/26 and 2026/27 not balanced with a budget gap of £6.026 m currently forecast for 2025/26, reducing to a gap of £3.691m for 2026/27. At the time the MTFS was produced pay and price inflation were significant budgetary pressures and that has extended through into the 2023/24 financial year. Uncertainty over the future levels of funding from Government, the continued application of the DSG statutory override, adult social care reform, pressure on the provision of children's services and homelessness are all recognised as risks to the Council's financial position over the medium term. The Council has been clear on these risks, which are common with financial pressures at similar local authorities, and associated measures to seek to mitigate them have been well documented in both its internal financial reporting and external communications with relevant stakeholders.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

# Value for Money Commentary (continued)

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

No significant weakness identified

The Council's established budget setting and monitoring processes have continued throughout 2022/23, with appropriate oversight from the Council's relevant Committees and decision-making bodies. There are well established governance arrangements, policies and procedures in place to ensure compliance with legislative and regulatory requirements and routine monitoring of adherence to those standards. The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests.

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. The Council's risk management framework guides the development of risk and opportunity management at a strategic and operational level and to ensure that risks are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protects its reputation and other assets and is compliant with statutory and regulatory obligations. Risks are identified as a routine process of all services, and these are regularly reviewed and updated. Where recommendations have been raised, there is an established process of monitoring progress to ensure these recommendations are implemented and embedded. Where actions and recommendations go overdue, management are required to report the rationale to the Committee.

During financial year 2020/21, we reported a significant weakness on arrangement in Governance specifically on the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The significant weakness was due to the concerns and issues identified by both the external and internal audit team in the control environment of the control account processes including bank reconciliation.

As part of our value for money work, we have performed assessment on how the Council address this significant weakness. The Council's Internal Audit function completed their work for financial year 2022/23 and released their annual internal audit report in the Audit and Governance Committee in July 2023. The report indicated that 26% of the audits received limited or no assurance in 2022/23, compared to 38% in 2021/22 and 45% in 2020/21. The report also concluded that Reasonable Assurance can be placed on the adequacy and effectiveness of the Council's internal control framework within those areas audited in 2022/23. The report also noted that one of the most significant areas to influence the annual assurance opinion, are the results of audits of the key financial processes and systems within the Council, which includes general ledger, accounts payable, accounts receivables, payroll and bank reconciliation. Our work on the cash and cash equivalents for the financial years 2021/22 and 2022/23 did not identify any issues relating to bank reconciliations.



# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (cont'd)

No significant weakness identified

As a result of this, we have lifted the significant weakness raised in the prior year relating on arrangement in Governance. However, we recommend that the management should ensure that the remediation and improvement in the controls have been consistently applied on the subsequent period specifically the controls around intercompany transactions between the Council and Brighter Future for Children.

The Council published their draft 2022/23 financial statements for audit on the 29 February 2024, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

# Value for Money Commentary (continued)

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

Significant weakness identified

The Council has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. Each of the Council's areas of key service provision are supported by a separate overview and scrutiny committee. Each of these Committees is responsible for ensuring compliance with legislative and regulatory requirements. The Council has an established process of quarterly reporting of financial performance to the Policy Committee.

These Committees have continued to operate effectively throughout the 2022/23 period, and clearly outline performance against planned targets and outcomes. These meetings and the decisions made are published on the Council's website. Depending on the performance area, the (full) Council meeting has oversight of actions being identified and taken to address areas where performance is below plan. Where available, services utilise performance information and standards to compare and assess performance with other councils or with nationally recognised performance frameworks (e.g. Department of Work and Pensions and national planning indicators). The Council's services continue to be subject to review and assessment by external bodies such as the Care Quality Commission and OFSTED.

## *Evaluation of the services provided to assess performance and identify areas for improvement*

In August 2016, Ofsted issued an inspection report of services for children in need of help and protection, children looked after, and care leavers and a review of the effectiveness of the local safeguarding children board. It concluded that Children's services in Reading were inadequate and found serious, persistent and systemic failures in the services provided to children who need help and protection. The Inspection found that children are left too long in situations of unknown and acute risk. The Council accepted the findings of the Inspection and put in place procedures to improve performance. Ofsted have continued to regularly assess the performance of the Council in this area and in previous years we reviewed all inspection reports. Ofsted performed monitoring visits and inspection from 2017 to 2019 and these continued to show that progress in this area was inconsistent or is not always sustained.

During financial year 2020/21, the Government Minister wrote to the Council on 8 February 2021 noting improvements and the removal of the statutory direction but confirmed that Ofsted would continue with a programme of support and supervision. We consider, however, that despite the improvements made and the lifting of the intervention, that for the year 2020/21 there was still a significant weakness in arrangements given the continued focus of Ofsted in respect of supervision and support.

As part of our work for value for money, we have reviewed the subsequent inspection reports and focused visit reports. The recent inspection received from July 2021 to March 2022, highlighted similar findings and observation that improvements on some areas of children services were noted however there are still some areas of where they identified shortfall in many aspects of the work specifically the progress of children in need and children subject to child protection plans. Further, the focused visit and inspection from October 2023 to May 2024 highlighted that despite the improvement, there is still inconsistency in quality of practice and insufficient progress in certain areas of children's services.

# Value for Money Commentary (continued)

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 (cont'd)

Significant weakness identified

As a result of the above procedures, we concluded that significant weakness still exists in the Council's arrangement for the safe provision of children's services in the period specifically in respect of the evaluation of the services provided to assess performance and identify areas for improvement. We recommend that the Council continue to implement the actions required by Ofsted and critically assess performance in this key area of service provision including the acceleration of the pace of change to ensure that all children's circumstances improve.

**Conclusion:** Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to the reporting criteria of *Improving economy, efficiency and effectiveness: How the body evaluates the services it provides to assess performance and identify areas for improvement*.

**Significant Weakness:** Failure to significantly improve external inspection findings of Childrens services which mean that the service is assessed as having under-performed for a number of years.

**Recommendation:** We recommend that the Council continue to implement the actions required by Ofsted and critically assess performance in this key area of service provision including the acceleration of the pace of change to ensure that all children's circumstances improve.





# 03 Appendices



# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering financial year 2022/23.

### Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

### Arrangements in place

The Budget for 2022/23 was approved by the Council in February 2022 and the Council's General Fund Budget Requirement for 2022/23 was set at £149.99m. The net budget was financed from a combination of: Retained Business Rates (£26.5m); Council Tax (£104.4m); New Homes Bonus (£2.0m); Section 31 Grants (£12.6m); Revenue Support Grant (£2.1m); Other Government Grants (£2.4m); one-off Collection Fund deficit (£3.2m); one-off Collection Fund deficit on business rates (£16.8m); Section 31 Grants released from reserves (£18.1m) and release from Collection Funding Smoothing Reserves (£1.78m)

The original General Fund Budget for 2022/23 included assumption on the delivery of £19.94m of efficiencies and increased income across the period, a contingency provision of £3.6m to mitigate the possible slippage or non-achievement of higher risk savings and/or targets over the period, a housing rent increase of 3.1% in 2022/23 and transformation funding amounting to £5.71m to support delivery of efficiency savings assumed within the Medium-Term Financial Strategy (MTFS). The budget assumption also included General Fund capital investment of £171m and Housing Revenue Account (HRA) capital investment of £140m over the period of 2022/23 to 2024/25.

The preparation of the 2022/23 Budget and MTFS 2022/23 - 2024/25 were challenging due to the continuing uncertainty caused by the wide-ranging implications of the Covid-19 pandemic and, despite a multi-year Spending Review announcement, yet another one-year Local Government funding settlement from Central Government.

The underpinning rationale of the Medium-Term Financial Strategy is to deliver a balanced and affordable 2022/23 budget and ensure that the Council's finances are robust and sustainable over the medium term and that in the longer term the Council's finances are not reliant on the unsustainable use of one-off reserves or funding. The Strategy is informed by the Council's Vision: "to ensure that Reading realises its potential - and that everyone who lives and works in Reading can share in the benefits of its success", as well as its Corporate Plan themes: Healthy Environment; Thriving Communities; and Inclusive Economy

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering financial year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body plans to bridge its funding gaps and identifies achievable savings

Full Council as well as the Policy Committee maintain and provide oversight over the financial performance of the Council. This is done through the annual budget as well as Medium Term Financial Strategy (MTFS) being approved by the Full Council. These documents identify areas of financial pressures with the aim of producing and delivering a balanced budget each year. This is then monitored through monthly Business Management and Monitoring Reports to the Policy Committee where any in-year variations are approved.

The budget setting process is designed to identify funding gaps and the action required to address those gaps. These are detailed in the MTFS under the 'Risks' section which form the basis of the Council's risks and mitigations. Monthly reporting on business management and monitoring to the Policy Committee also enables the Council to identify gaps in funding and monitor progress on meeting savings targets.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has a vision and a long-term strategic plan which articulates how it will deliver its statutory responsibilities by bringing together the Council's policy, business and financial planning and risk management. During 2021/22 the Council was operating under the Investing in Reading's Future: Reading Borough Council Corporate Plan 2021/22. The Council's Corporate Plan reflects the priorities for Reading and provides direction for the staff in delivering services to meet the needs of our communities whilst working to a budget set by the medium-term financial strategy. The Corporate Plan provides an overview and initiatives that will make a significant contribution to driving the change they want to see Reading through the three themes: healthy environment, thriving communities and inclusive economy.

For financial year 2022/23, the annual update of the Corporate Plan described the major achievements and progress made over the last year and set out the Council's work priorities and future work programme to deliver against the three themes of Healthy Environment, Thriving Communities, and Inclusive Economy; underpinned by the Foundational activity of an efficient and effective organisation. The Plan also reinforced the Council's commitment to a 'net zero Reading by 2030' in accordance with the Climate Emergency Declaration and Reading Climate Emergency Strategy.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering financial year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (cont'd)

The priorities within the Corporate Plan form the basis of the spending plans over the next three years. The Council's financial position remains challenging over the period of the Plan with an on-going need to drive efficiency, productivity, and income to secure service delivery. The Plan and the budget will be updated every year to take account of changes.

For financial year 2022/23, the Council major updates and annual updates for the Investing in Reading's Future: Reading Borough Council Corporate Plan 2021/22 include the following:

- Continuation of the biggest programme of road and pavement repairs
- Opening of the new community pool at Palmer Park and new flagship pool and leisure centre at Rivermead in 2023
- Opening to the public in 2023 of Green Park station and expected completion of the transformation of Reading West station
- Starting work on significant improvements to the culture offer with major works to the Hexagon and the reprovisioning of Central Library
- Continued work towards the 2030 net zero carbon target.

How the body 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

Throughout the financial planning (i.e. annual budget and MTFS) processes, consideration of other plans such as capital and treasury management also takes place. The Capital and Treasury Management Strategies also form part of the annual budget setting process with the two Strategies being taken to the Policy Committee for approval at the same time as the revenue budget. The Capital and Treasury Management Strategies give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. All of the Council's financial strategies and planning interlink and are presented in a way that informs clear and effective decision making.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering financial year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body 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 (cont'd)	The Council reports to each Policy Committee meeting on key performance areas which show the extent to which the changes expected as a result of the Council's actions are being achieved, and in turn measures and targets show progress towards the performance indicators. The Council's financial plans include reporting on these wider areas as part of its mechanisms for monitoring the achievement of targets for each of the key performance areas. Where the Council identifies a risk to target achievement, it incorporates the resulting identified mitigating actions into the budget, which enables it to identify the necessary financial resources required to implement the actions.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council has an effective corporate risk management framework in place to identify, mitigate and monitor the risks (both financial and non-financial) to the Council in delivering strategic and service organisations. The Council implements a Risk Management Process, through which risks are regularly identified, evaluated, treated, reported and monitored. The purpose of risk management is not to eliminate all risks, but to develop a better understanding of the nature, scale and potential effects posed by the Council's risk exposure so that it can take effective action to reduce or mitigate downside threats and maximise upside opportunities.</p> <p>The Council maintains a register which highlighted strategic risks which are those of significant, strategic and cross cutting importance that require attention from the council's most senior managers and elected members. For financial 2022/23, the Council strategic risks highlighted those risks that directly impact financial resilience of the Council. They include risk of inability to achieve the budget savings, manage costs, as a result of cost-of-living increases and achieving income targets. Other risks that have indirect impact to financial resilience but would have impact on the financial reporting of the Council include failure to adapt to the impacts of climate change and failure to deliver zero carbon commitments.</p> <p>The risk register is reviewed throughout the year by the Policy Committee, Corporate Management Team and the Audit and Governance Committee. It is the responsibility of Chief Officers to control income and expenditure on their budgets and to monitor performance taking account of financial information provided by the Director of Finance.</p>



# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering financial year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council's budget is refreshed annually to match its strategic aims and align to strategic priorities and risks. The Quarterly Performance Monitoring Report and the Implementation of Audit Recommendations Tracker Report outlines the actions being undertaken by the Council to provide assurance that risks are being mitigated to an acceptable level.

The Quarterly Performance Report is supported by a risk register. The risks assessed are wider than just financial, due to the nature of the Council's activities. The Council assesses impact of risks on a matrix of likelihood of occurrence and potential impact upon the Council, with a combined score produced to assess the importance of the risk. The Council has a Risk Strategy which contains the risk appetite statement that defines acceptable levels of risk for its activities.

Management is responsible for ensuring that there is a sound system of internal control, which includes arrangements for managing risk. The three key elements of the Council's control environment comprise: internal control, governance and risk management arrangements.

The Council has an internal audit service to help gain assurance over the effective operation of internal controls. It also has a Counter Fraud Team as part of its Counter Fraud Strategy and Plan to prevent and detect fraud. Quarterly reports are received from the internal auditors highlighting their work carried out including a breakdown of fraud investigations with any significant issues included in summary format. Cases of alleged or proven incidents of fraud are investigated or tracked by internal audit and reported to the Audit & Governance Committee.

The Director of Finance is responsible for the adequate provision of Internal audit and counter fraud with oversight from the Audit & Governance Committee. Council management is responsible for responding to the internal audit and counter fraud findings appropriately and in a timely manner with appropriate challenge from the Audit & Governance Committee. An audit recommendations tracker is presented at each Audit & Governance Committee meeting and officers are often challenged at Committee on progress against audit findings and recommendations.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering financial year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (cont'd)

The Counter Fraud Strategy and related policies (including the Bribery Act Policy) are regularly reviewed and have been approved by the Audit & Governance Committee. The Council fully participate in the National Fraud Initiative with results notified to the Audit & Governance Committee through the Chief Internal Auditors Annual Report and Opinion. Financial regulations and procedures have been developed and are kept under review to ensure they provide an effective control framework. Compliance is monitored through appropriate review by service managers and finance staff together with independent review by internal audit.

The Council's Internal Audit function completed their work for financial year 2022/23 and released their annual internal audit report in the Audit and Governance Committee in July 2023. The report indicated that 26% of the audits received limited or no assurance in 2022/23, compared to 38% in 2021/22 and 45% in 2020/21. The reported also concluded that Reasonable Assurance can be placed on the adequacy and effectiveness of the Council's internal control framework within those areas audited in 2022/23. The report also noted that one of the most significant areas to influence the annual assurance opinion, are the results of audits of the key financial processes and systems within the Council, which includes general ledger, accounts payable, accounts receivables, payroll and bank reconciliation.

During financial year 2020/21, we reported a significant weakness on arrangement in Governance specifically on the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The significant weakness is due to the concerns and issues identified by both the external and internal audit team in the control environment of the control account processes including bank reconciliation.

As part of our value for money work, we have performed assessment on how the Council address this significant weakness. On our review of the annual internal audit report for financial years 2021/22 and 2022/23, confirmed that improvement in some areas of the financial process within the key financial systems including the control environment of the control account processes including bank reconciliation. Further our work on the cash and cash equivalents, did not identify any issues relating to bank reconciliations.

As a result of this, we have lifted the significant weakness raised in the prior year relating on arrangement in Governance. However, we recommend that the management should ensure that the remediation and improvement in the controls have been consistently applied on the subsequent period specifically the controls around intercompany transactions between the Council and Brighter Future for Children.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering financial year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body approaches and carries out its annual budget setting process

The Council develops its financial plan and budget using dual processes: (i) Top down. The Council approves or adopts the policy framework which sets out the Council's service delivery plans, including the Corporate Plan and in addition approves or adopts the annual budget. The Policy Committee is responsible for making sure that there is effective financial planning within the Council. This includes preparing proposals for the budget, which should take account of the views of the public and local stakeholders and (ii) Bottom up. Where the Council develops a granular level of activity, income, expenditure, workforce, capacity and efficiency planning. The Council then triangulates these plans with operational, performance and workforce leads.

We noted that the Budget for 2022/23 was considered by the Policy Committee, before submission to Full Council. We also noted through the review of the Budget Process that the Policy Committee considered strategic issues relating to the Budget including comments on individual portfolios, in accordance with the arrangements contained in the Council's Constitution.

How the body 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

Within the Constitution of the Council there are processes and procedures in place to ensure the Council has effective processes and systems in place to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.

#### Budget Monitoring and Control:

The Director of Finance is responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Director of Finance must monitor expenditure against budget allocations and report to the Policy Committee on the overall position on a regular basis. It is the responsibility of Chief Officers to control income and expenditure on their budgets and to monitor performance taking account of financial information provided by the Director of Finance. They should report to the relevant Executive Member on variations and take any action necessary to avoid exceeding their budgets and alert the Director of Finance to any problems. Any new proposal containing significant financial implications must take note of the Director of Finance's advice as well as that of the relevant Chief Officer and Executive Member.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering financial year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body 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 (cont'd)

The Director of Finance oversees the adoption and operation of the Council's overall performance management. The monthly monitoring report to the Policy Committee includes a budget versus actual position and other non-financial and performance reporting with areas identified that need corrective action based on any deviation from budget incurred during the year. In response, the report also highlights corrective actions and savings put in place to address the deviations. This is evident through actions taken to meet changing economic conditions in 2022/23.

#### Financial Reporting

Due to historic issues and delays with the external audit, the Council has been unable to meet the statutory timetable for either the production of draft financial statements or audited financial statements. The audit of the 2020/21 financial statements was completed in April 2024 and an unqualified opinion issued on the financial statements. The Council also missed the statutory publication dates for subsequent years i.e. 2021/22 and 2022/23. The draft accounts have now been published for both years.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Reading Borough Council operates a committee system form of governance. The effective operation of key committees, supported with regular, clear and relevant information, is the Council's key tool for ensuring that it makes properly informed decisions. The committee system form of governance appoints Committees and Sub-Committees with delegated powers and membership in proportion to the representation of the individual political groups on the Council. Political leadership of the Council is in accordance with the Local Government Act 1972.



# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering financial year 2022/23.

### Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (cont'd)

### Arrangements in place

Published Committee papers and minutes evidence the challenge made by Councillors and the transparency in decision making. Executive decisions are made by the Executive Body being the Leader and Policy Committee, within the overall policy and budgetary framework approved by Full Council. Any decisions the Executive wishes to take outside of the framework must be referred to Full Council to decide.

#### Full Council:

The Full Council is responsible for specified major decisions, such as setting the budget, and debates topical issues. It also receives reports from the Executive, and members are able to question the Executive on their areas of business. At the annual meeting of the Council a Leader is appointed. The Leader is in turn then appointed to and also designated Chair of the Policy Committee.

#### Policy Committee:

The Policy Committee has full oversight of the strategic direction of the Council as well as also being responsible for key policy initiatives and importantly the budget. A key function of the Policy Committee is that it critically assesses service performance and improvement across all Council services. In addition, the Policy Committee also plays a crucial role in the governance and oversight of the Council's subsidiaries including as being on behalf of the Council the sole owner and member for Brighter Futures for Children Ltd and also as shareholder for Homes for Reading and Reading Transport Limited.

#### Audit & Governance Committee:

The Audit & Governance Committee meets four times per year, is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting. Our attendance at the Audit & Governance Committee meetings indicates that reports brought to the attention of the Audit & Governance Committee are appropriately challenged and scrutinised.

#### Monitoring Officer:

The Council also has a Monitoring Officer in place. The function and role of the Monitoring Officer includes ensuring lawful and fair decision making. The Monitoring Officer is an active participant at relevant committees including the Audit and Governance Committee.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering financial year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

We have identified that there are various policies in place regarding the integrity, ethical values and behaviour of key executives. A code of corporate governance is in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To ensure effective leadership throughout the Council, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution and in particular look at how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute and regulations by Governmental and other bodies (e.g. CIPFA) while the Council has determined others locally.

The Council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These include codes of conduct for both officers and members and cover conflicts of interest and gifts and hospitality and appropriate policies for partnership working. The Code of conduct is communicated and monitored regularly. The handbook includes policies regarding ethics and behavioural standards for employees and it is well communicated to the stakeholders of the business and is available on the Council's intranet. All staff, Councillors and co-opted members are provided with a copy of the relevant policy when joining and are required to read and sign up to the code of conduct/employee handbook.

The Council has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. These policies and procedures are reviewed and revised regularly – this is overseen by the County Council.

The Council has specific policies for staff and non-executive directors in respect of gifts and hospitality and conflicts of interest. Annually, all Senior Staff and Councillors are required to make declarations. These declarations are recorded in a register maintained by the Finance Team and published on the Council's website.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering financial year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

The Council receives reports on performance in its key areas against key performance indicators set out in the Outcomes Framework that is agreed annually. The monthly business management and monitoring reports clearly outline performance against planned targets and outcomes. Depending on the performance area, a Council committee will have oversight of the actions being identified and taken to address areas where performance is below plan.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council has an array of ways of measuring its own performance across all aspects of its operations. It brings these together in the form of monthly reporting to the Policy Committee against its medium-term financial strategy, key performance indicators and annual budget. Where performance is below plan these reports highlight the action being taken to seek the required improvement. The Council used a Corporate Peer Challenge in 2023 to receive feedback from the Local Government Association to improve its services. This shows that the Council has voluntarily sought external feedback to help drive its performance.

The Council publishes an annual Narrative Statement and Annual Governance Statement (AGS) as part of the year-end closedown process outlining its performance for the financial year that also considers non-financial aspects. The AGS also highlights significant governance issues and looks back at progress against issues raised in the prior year and also importantly governance issues to be addressed in the next financial year.

Some key performance areas such as schools or social care are also reviewed by external agencies such as OFSTED or the Care Quality Commission (CQC) and provide detailed reporting on the performance of the Council's arrangements and performance in relevant areas.

In August 2016, OFSTED issued an inspection report of services for children in need of help and protection; children looked after and care leavers and a review of the effectiveness of the local safeguarding children board. It concluded that Children's services in Reading were inadequate and found serious, persistent, and systemic failures in the services provided to children who need help and protection. The inspection found that children are left too long in situations of unknown and acute risk. Subsequently, there have been several monitoring visits which identified that, whilst some progress had been made, there was still inconsistency in progress through the period up to 31 March 2021.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering financial year 2022/23.

### Reporting criteria considerations

How the body evaluates the services it provides to assess performance and identify areas for improvement (cont'd)

### Arrangements in place

We have reviewed the Ofsted reports on Reading Borough Council and its subsidiary Brighter Futures for Children in October 2019 which concluded that services required improvement to be good and in the case of Brighter Futures for Children the report dated March 2020 which also concluded that services required improvement to be good. We have also read reports subsequent to the 2020/21 year which acknowledge that for Reading BC Children's services there have been improvements whilst for Brighter futures for Children services were judged good or outstanding in reports for years beyond 2020/21. We also note that the intervention placed on Childrens services by the Secretary of State following the 2016 report were lifted during 2020/21 in acknowledgements of improvements made. Due to Covid-19 formal inspections were ceased in 2020/21.

On 8 February 2021, the Government Minister wrote to the Council noting improvements and the removal of the statutory direction but confirmed that Ofsted would continue with a programme of support and supervision. We consider, however, that despite the improvements made and the lifting of the intervention, that for the year 2020/21 there was still a significant weakness in arrangements given the continued focus of Ofsted in respect of supervision and support.

The Ofsted inspection report received from July 2021 to March 2022 which covers the financial year 2021/22, highlighted similar findings and observation of improvements on some areas of children services were noted however there are still some areas where they identified shortfall in many aspects of the work specifically the progress of children in need and children subject to child protection plans.

In addition to the above, the most recent Ofsted focused visit and inspection from October 2023 to May 2024 highlighted that despite the improvement, there is still inconsistency in quality of practice and insufficient progress in certain areas of children's services.

The above reports released for the focused visit and inspections performed by Ofsted from July 2021 to May 2024, indicated significant weakness on Council's arrangement for the safe provision of children's services for financial year 2021/22 and 2022/23 with specific emphasis on the evaluation of the services provided to assess performance and identify areas for improvement.



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering financial year 2022/23.

### Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

### Arrangements in place

The Corporate Plan sets out how the Council aims to work in partnership to achieve its agreed objectives. It is the responsibility of the Policy Committee for approving the Council's participation in all significant partnerships/joint working arrangements with other local, public, private and voluntary organisations.

The Council had in place a number of collaborative working arrangements. These arrangements are generally focused on key aspects of strategic direction such as: Housing, Growth, Environmental and Health.

The Council has pooled budget arrangements with NHS bodies and during 2022/23 had formal joint working agreements with the other 5 Berkshire Councils and also the local Clinical Commissioning Groups. These partnerships involve joint use of the assets and resources of each organisation rather than the establishment of a separate entity.

#### National Health Service Section 75 Pooled Budgets

During 2022/23 the Council had two pooled budgets with the Berkshire Clinical Commissioning Groups. The pooled budgets operate to provide better outcomes for patients within Berkshire and ensure that the resources in place are best utilised for maximum impact.

Other key partnerships include the Reading-Hampshire Property Partnership (RHPP). This is a joint venture between the Council and Hampshire County Council and provides services to support work on property, notable the Primary School Expansion Programme.

The Council is also a member of the Berkshire Local Enterprise Partnership (LEP). The LEP is a joint committee of the six councils of Berkshire together with key strategic partners. It has been set up to facilitate and enable joint working on economic development, strategic planning and growth. It does this by overseeing the delivery of projects that the councils of Berkshire are seeking to deliver collaboratively in the fields of economic development and strategic planning. The LEP also has an important role in representing Berkshire on matters of regional interest.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering financial year 2022/23.

### Reporting criteria considerations

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

### Arrangements in place

The Council follows the process within the Constitution of the Council in Part 8, Section 3 which sets out the procurement and contracts procedures. This includes the procedures and statutory requirements in terms of the procurement of services. The way goods and services must be procured is laid down in the Council's Commissioning and Procurement Strategy and also the Contract Procedural Rules. These Procedures identify the approach that must be taken, dependent on the anticipated value of a contract over its whole life and the associated level of risk to the Council.

There is sufficient oversight to ensure that there is compliance over the procurement or commissioning of services, through effective authorisation levels as set out in the Standing Orders from designated budget holders to the oversight committees. As noted above, the Council has a procurement strategy to align the Council's procedures with the relevant legislative and professional standards to ensure that all commissioned and procured services is done in accordance with the relevant legislation and professional standards.

Best value principles underpin the Council's approach to procurement and Directors have a responsibility to ensure, and be able to demonstrate, value for money in all their procurement activities.

# Appendix B – Summary of recommendations

## Recommendations brought forward from 2021/22

The table below sets out the recommendations arising from the value for money work in 2021/22 and progress made in 2021/22 and 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
<p>Governance: How the body monitors and assesses risks and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>We recommend that the management ensure that the remediation and improvement implemented in the controls surrounding key reconciliation of accounts payable, accounts receivable, general ledger, payroll and bank reconciliation and review and approval in the accounts payable and account receivable processes are continuously being applied and monitored.</p> <p>Further, we also recommend that the continuously improvement of controls around intercompany accounting arrangements between the Council and Brighter Future for Children</p>	<p>The Council has continued to make improvements in controls and reconciliations included the introduction of a new controls Dashboard for 2022/23. The latest Internal Audit report in this area entitled “Bank and Cash Reconciliations 2023/24” was issued in April 2024 and gave a Reasonable Assurance opinion.</p> <p>Each year key finance staff from RBC and BFFC met and agreed intercompany debtor and creditor balances for the draft single entity and group accounts.</p> <p>To further strengthen these arrangements, on 1 April 2024 the BFFC Finance Team transferred to RBC under the direct line management of the RBC Director of Finance thus enabling closer working arrangements and verification of data.</p>
<p>Improving economy, efficiency and effectiveness: How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>We recommend that the Council continue to implement the actions required by Ofsted and critically assess performance in this key area of service provision including the acceleration of the pace of change to ensure that all children’s circumstances improve.</p>	<p>This recommendation is accepted and agreed. The Council continues to focus its activity on both ensuring the qualitative aspect of service delivery is improved in accordance with the actions required from Ofsted, and that continual support and challenge is provided over the use of financial resources. This includes detailed financial and performance modelling on a monthly basis and alignment of strategic planning between RBC and BFFC.</p>

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