

Auditor's Annual Report on Royal Borough of Windsor and Maidenhead Council

2023/24

11 December 2025



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Royal Borough of Windsor and Maidenhead ('the Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below. An interim version of this report was issued on 2 December 2024 and presented to Audit & Governance Committee on 9 December 2024. This updated final report dated 11 December 2025 has been issued alongside our backstopped opinion and has been updated to reflect and further information impacting on our Value for Money judgements in respect of 2023/24.

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements
Financial sustainability	As part of our 2023/24 planning, we identified a risk of a significant weakness relating to the Council's financial sustainability. This was as a result of a gap in funding in the medium term and the impact on the adequacy of the Council's reserves.	R We identified five significant weaknesses in arrangements and made five key recommendations and one improvement recommendation
Governance	As part of our 2023/24 planning, we identified a risk of significant weakness relating to the Council's Governance. This relates to the Council's capacity to operate in a timely and effective way.	R We identified three significant weaknesses in arrangements and made three key recommendations, one of which is also a significant weakness in Improving economy, efficiency and effectiveness. We made six improvement recommendations.
Improving economy, efficiency and effectiveness	There was not a significant weakness in the predecessor auditor's 2020/21 judgement and we did not identify a risk of significant weakness in our audit plan	R We identified a significant weakness in arrangements and made one key recommendation. A Key Recommendation in our Governance section also relates to a significant weakness in Improving economy, efficiency and effectiveness. We made one improvement recommendation.

G No significant weaknesses in arrangements identified or improvement recommendation made.

A No significant weaknesses in arrangements identified, but improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

Introduction

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirement will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below. Our key recommendations and management responses are summarised in the section starting on page 8.

The Council's financial monitoring for 2023/24 indicated a projected service overspend for the year of £10.392 million. Unplanned growth in spending together with the under-achievement of planned savings placed huge pressure on the revenue budget. A very low level of reserves meant that the Council had limited room for manoeuvre. An already challenging situation was made worse by weaknesses in the Council's financial governance. Delays in the audited financial statements together with the identification of historical errors and weaknesses in the management of finances has resulted in further uncertainty about the true level of available reserves.

The Council must now urgently establish corporate grip to ensure it makes the improvements required. A new senior management team is in place and is open about both the financial and governance challenges the Council faces and is navigating through a complex process to correct financial errors, secure Government assistance and plan a more secure financial future for the Council. Our 2023/24 Auditor's Annual Report identifies and reports on nine significant weaknesses and makes key recommendations to address them. We particularly draw the Council's attention to Key Recommendation 6 on page 13 which must be addressed with urgency. We recognise that the Council is already sighted on many of these issues we are reporting and is in the early stages of addressing these weaknesses through its Financial Improvement and Sustainability Plan (FISP).

Financial sustainability

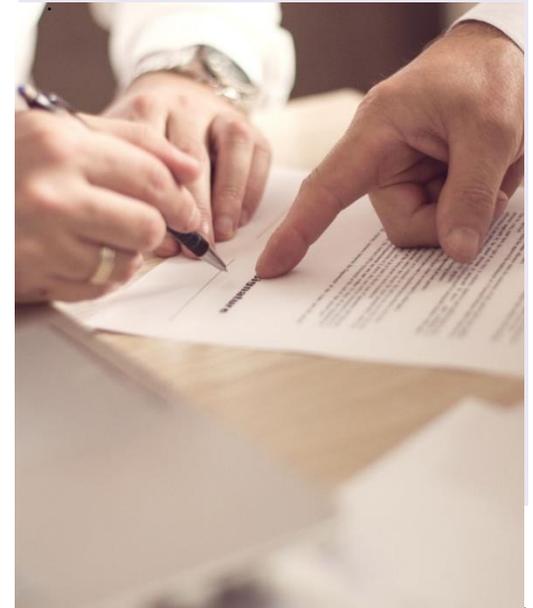
The Council has significant weaknesses in terms of its overall financial sustainability. Overspending and under-performance in making savings has impacted on the Council's ability to balance its budget. The Council was projecting a £6.755 million overspend (after use of contingency budgets) at Month 11 for 2023/24. The outturn for 2023/24 is yet to be finalized but the Council estimates that the net overspend on services is likely to be around £11.7 million, reflecting service demand pressures. Additional overspending on non-service budgets, including corrections to historical budgeting and accounting issues mean that, at the time of drafting this report, the Council is expecting a total overspend at outturn of approximately £33 million. For 2024/25 the latest financial reporting for Month 7 shows that a further overspend of £14.549 million is anticipated which will put even greater pressure on the Council's limited reserves and balances. In addition, planned savings of £10.5 million in 2023/24 were not all achieved and resulted in a savings outcome which was 19% below the target.

Demand pressures, particularly in Adult Social Care, have increased pressure on financial sustainability further. Whilst some demand pressures are not always capable of being predicted, it is apparent that the Adult Social Care budget was not re-based as part of the 2023/24 budget setting process to reflect past pressures. Therefore, part of the increasing cost was foreseeable but was not taken into account at the appropriate time, exacerbating the problem.



Financial Statements opinion

The Council published its draft 2023/24 financial statements on 11 January 2025. The Council was not able to support the audit process ahead of the backstop deadline of the 28 February 2025. Following completion of work on two objections received from members of the public, our disclaimer opinion was issued on 11 December 2025. Further detail can be found on page 42.



Executive summary (continued)



Financial Sustainability (continued)

As a result of these significant weaknesses in financial management and control, the Council has drawn on reserves to balance the budget and now has very low levels of reserves, estimated as £10.2 million at the start of 2023/24. When the estimated outturn is finalized the Council will be in a negative reserves position.

The absence of final outturn figures for 2023/24 reflects a wider concern over the timeliness and accuracy and corrections to historical errors. Whilst the above analysis, is concerning, until a number of financial issues identified by the Council and detailed further in the governance section of this report have been resolved, the true extent of the financial problems facing the Council is unknown and this undermines the financial integrity of the Council.

The Council has entered into discussions with Government about accessing Exceptional Financial Support (EFS). In order to progress with this, a Financial Resilience Review report was commissioned and received from the Chartered Institute for Public Finance Accounting (CIPFA) in September 2024. This report notes that the Council's debt position grew from £58.7 million in 2013 to £204 million a decade later and that the Council is utilizing over 10% of its revenue budget to service debt. The Council has produced a Financial Improvement and Sustainability Plan which will guide its immediate improvement actions. Due to the significance of these matters we have raised five key recommendations about financial sustainability. See pages 8-12 for more detail.

Update February 2025

The Council published its draft 2023/24 financial statements on 11 January 2024. These included adjustments to the 2023/24 disclosures to reflect a number of historic errors uncovered as part of the 2023/24 closedown process. The net result of these and in year overspends is approximately £42 million of expenditure in excess of budget. Whilst these figures have not been subject to audit, they confirm the expected negative reserves position referenced above. The Council is in talks with MHCLG regarding Exceptional Financial Support that if not forthcoming would result in the Council not being able to set a balanced budget for 2025/26.



Governance

There are three significant weaknesses in the Council's governance arrangements which have exacerbated its position in terms of financial sustainability. The first relates to the effective management of the Council's finances which has been undermined by inadequate capacity in the organization to ensure that the appropriate level of professional supervision has been available. The consequences include a number of historical errors and omissions which have been identified and which place further pressure on financial sustainability. Delays in the Council's ability to draft financial statements of account mean that the Council does not have audited accounts for 2021/22 and 2022/23 and (at the time of drafting this report) a financial outturn report and accounts for 2023/24 have not been published. This is a serious weaknesses in the Council's governance arrangements.

Update February 2025

A financial outturn report and draft 2023/24 financial statements were made available in January 2025. Due to the late provision of these statements the 2023/24 opinion audit is to be backstopped.

A second significant weakness is the effectiveness of internal controls. The Council needs to improve its organizational response to internal audit reviews and recommendations. Additionally, fraud and corruption is identified as a key risk but there is insufficient evidence that processes to investigate and deal with fraud or provide assurance to the Council about its approach to fraud risk management were effective and there were significant gaps, weaknesses and non-compliance under-pinning an internal audit limited assurance Opinion in 2023/24. We are aware of steps to address these issues being taken by the Council in 2024/25 and these will be considered in our 2024/25 Value for Money work.

Thirdly, the governance arrangements for the Council's property company were inadequate and accountability to the Council as shareholder was weak prior to August 2023, when new shareholder panel reporting arrangements were introduced. This impacted on the clarity of the company's purpose and the resulting outcomes which is a significant weakness in terms of economy and efficiency and effectiveness as well as governance.

We have made three key recommendations on pages 13-15.

Executive summary (continued)



Improving economy, efficiency and effectiveness

The unit cost of providing services across a number of the Council's service lines is low comparable with similar authorities, although unit costs relating to housing and homelessness are relatively high. Unit costs for the two biggest services – Adult Social Care and Children's Services are comparatively low and the Council's arrangements through Optalis and Achieving for Children have helped it to achieve some efficiency through economies of scale. However, rising demand in both Adults and Children's services is increasingly impacting on the Council's budget and rapid transformative change will be needed to address these trends. The Council adopted a new Corporate Plan in March 2024 setting out new aims and key performance indicators for each aim.

The Council had a significant weakness in its arrangements for commissioning and procurement. An Internal Audit report in January 2023 found that there was an absence of detailed guidance and training to support procurement and limited capacity in terms of procurement and legal services. The Contracts Register was found to be incomplete.

We have made a Key Recommendation on page 16.

Follow up of prior year recommendations

Due to delays in prior year Value for Money Audit work we are unable to report on progress in implementing prior year recommendations.

Letter of Concern

We wrote a letter of concern to the Council which was sent as a consultation draft to the Chief Executive on 26 July 2024 and considered by the Audit and Governance Committee on 9 September 2024. In this letter we gave notice of the specific concerns which we identified whilst we were carrying out our Value for Money Audit work prior to the completion of our Interim Auditor's Annual Report. We have reproduced that letter in Appendix C to this report.

We have reported nine significant weaknesses in the Council's arrangements in this Interim Auditor's Annual Report which are the subject of nine Key Recommendations. In addition, we have made eight Improvement Recommendations to support the Council's improvement.

The Council has undergone changes in political leadership as a result of the outcome of the 2023 elections and through recent recruitment to senior management roles. During the course of our work, senior managers in the Council have engaged openly and transparently with us and have demonstrated their commitment to addressing the significant weaknesses in the Council's arrangements. We consider that this is an important and necessary foundation for the Council's improvement.

The Council now needs to focus its political and managerial leadership efforts on what will be an arduous, precarious and uncertain journey ahead. This must include investment in core capacity to ensure that essential functions including financial management, commissioning and procurement, legal services and transformation are fit-for-purpose. This will inevitably require the Council to identify areas of spending, such as discretionary activities, where it should reduce or cease its spending. The importance of ensuring 'corporate grip' on the challenges in hand and monitoring of delivery against the milestones within the Financial Improvement and Sustainability Plan will be critical.

Given the number of significant issues highlighted, the continued uncertainty over the true financial position of the Council, and the unresolved issue of government financial support, we do not rule out the need to exercise our wider audit powers including statutory recommendations prior to concluding our 2023/24 audit. We anticipated backstopping the 2023/24 financial statements audit by the 28 February 2025 deadline and will reconsider our position at this juncture.

Update February 2025

We have reflected on the updated financial position set out in this report as at February 2025. We are not minded to exercise our wider audit powers at this stage but will continue to monitor the outcome of the ongoing discussions with MHCLG in respect of Exceptional Financial Support and the impact of any decision on the ability or otherwise of the Council to set a balanced budget for 2025/26.

Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

2023/24

we have not made any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

we have not issued a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

we have not made an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

we have not issued any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

we have not made an application for judicial review.

Key recommendations

Key Recommendation 1

The Council should strengthen its budget planning and preparation arrangements by:

- developing guidance for budget preparation which ensures that service budget estimates are prepared accurately and reflect an evidenced analysis of demand, particularly where this relates to statutory responsibilities, and ensure that each service area takes responsibility for effective budget planning;
- reviewing and strengthening arrangements in service departments to forecast budget income including the use of scenario planning and sensitivity analysis to consider the potential fluctuations in income streams, and strengthen its understanding of the impact of planned changes in relation to commercial and car park income; and
- improve its checks and controls over forecasts of council tax and business rates income.

Identified significant weakness in arrangements

Early budget monitoring in 2023/24 indicated spending pressures far in excess of the budgeted figures. The Adult's budget was not properly re-based to reflect known demand pressures in 2022/23. Internal controls were not sufficient to prevent inaccurate NNDR estimates in the 2023/24 budget.

Summary findings

The Council had weaknesses in its budget planning processes in setting the 2023/24 budget. We are aware of steps taken to improve processes in 2024/25 which will be considered as part of our 2024/25 Value for Money work.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

During budget setting work for 24/25, improvements were made to the process for establishing the accuracy of growth and savings items for the budget, including consideration of scenario planning when looking at income streams. Guidance to services was also issued. There have been improved challenge from across the Council however there is further work to do to ensure that the budget takes appropriate consideration of the in-year actual trends, work which has been constrained by resource across the organisation.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 2

The Council should strengthen its focus on the rigour with which savings are planned, approved and achieved in directorates and should put in place alternative plans to bring forward additional alternative savings in-year if it is projecting that savings targets will not be met. Improved monitoring and reporting processes introduced in 2024/25 should be maintained. Service savings plans should be under-pinned by robust business cases.

Identified significant weakness in arrangements

We identified a significant weakness in the Council's approach to ensuring that the outcomes of planned savings are achieved or that alternative savings or other measures are considered in the event of projected under-performance.

Summary findings

The Council reported a forecast of under-achieving its savings target by 19% in 2023/24 and in 2024/25 is reporting a forecast under-achievement of 34%.

Criteria impacted by the significant weakness



Financial Sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

The 24/25 budget setting process improved the process for assessing potential savings which were supported by increased scrutiny. Directorate teams and partners such as Achieving For Children have further increased the regular scrutiny of progress of savings items. The Council does endeavour to constantly find new ways to increase income and save money in-year where required. Changes to parking fees were agreed in-year during 2023/24 to increase income and offset the forecast overspend. However, with our limited funding it has been necessary to include every possible saving in the budget, leaving limited scope for timely alternatives to be deployed in year.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

The range of recommendations that external auditors can make is explained in Appendix B.

Key recommendations

Key Recommendation 3

The Council must take urgent steps to complete its work to identify and correct historical financial accounting errors and weaknesses including:

- resolving the backlog of balance sheet reconciliations
- quantifying and correcting revenue spending which has incorrectly been classified as capital spending
- strengthening the debt and credit control processes
- resolving inconsistencies in the collection fund and National Non-Domestic Rates (NNDR) income
- ensuring its approach to calculating Minimum Revenue Provision (MRP) is appropriate

The Council should produce an accurate assessment of the financial impact of this work on its reserves and its request for Exceptional Financial Support and set out how it intends to make any necessary accounting adjustments.

The Council should ensure that it is able to produce accurate and timely statements of account in future and ensure that it has the capacity to respond to external audit queries.

Identified significant weakness in arrangements

The Council has significant inaccuracies in its accounts and has not carried out the necessary checks and reconciliations. Delays in the production of accounts have increased the level of uncertainty.

Summary findings

Errors and inaccuracies in accounting and delays in the accounts meant that the Council did not have clarity about its financial position. We are aware of steps being taken to complete this work in 2024/25 which will be considered as part of our 2024/25 Value for Money work.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

Work is already underway with work being undertaken using support from CIPFA and other specialist interims covering a number of vacancies in the finance team. Three new “Heads of” posts in finance will be in place by mid January 2025, and they will lead a medium-term project to cement the team and financial control processes during 2025/26. This team will be supported by Directorate teams and Achieving For Children to make these changes sustainable.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 4	When the Council has clarified the specific level of Exceptional Financial Support (EFS) available it should produce a strategy for correcting its current low or negative reserves position. This should set out how the Council will replenish its reserves, timescales, and target level of general reserves. The approach to addressing the Dedicated Schools Grant (DSG) deficit should be included.
Identified significant weakness in arrangements	The Council has depleted its reserves and does not have an accurate estimate of the current level of reserves which may be negative.
Summary findings	The Council does not have a sufficient level of reserves.
Criteria impacted by the significant weakness	 Financial sustainability
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.
Management comments	The medium-term financial plan sets out different scenarios for replenishing reserves, however the modelling suggests this is only achievable with an above cap Council Tax rise. A capitalisation directive will increase the Council's level of debt and worsen the structural imbalance. The medium-term financial strategy will be updated once we know the outcome of discussions with MHCLG.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 5

The Council should re-focus the capacity it has in the RBWM Property Company to support the development and implementation of an asset disposal plan and should defer or avoid further capital commitments which require borrowing until the current high level of debt has been reduced significantly.

Identified significant weakness in arrangements

The Council's budgeted external borrowing for 2024/25 is £210.63 million which represents 177% of budgeted net revenue expenditure (CIPFA Financial Resilience Review 2024)

Summary findings

The Council has an unaffordable level of debt.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

The Council has approved the use of flexible use of capital receipts to build on the work already done by the Property Company to develop an asset disposal plan, with several asset disposals already underway and work progressing on the development of major regeneration sites and associated land sales. The capital programme for 2024/25 and 2025/26 is tightly focused on grant-funded schemes to avoid borrowing. As part of the Financial Improvement and Sustainability Plan, further work will be undertaken on the existing capital schemes and assets to reduce the reliance on borrowing, however this review is constrained by low levels of staffing in the relevant teams.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 6

The Council should establish corporate grip to address the significant challenges it faces by urgently addressing the significant weaknesses in its organisational capacity and capability. This should include sufficient capacity to effectively manage its finances, ensure that its decisions are in line with its own rules and procedures and are under-pinned by professional expertise. A specification should be developed and resourced in 2025/26 budget plans for a strengthened finance team, and for increased capacity and capability in other areas, which ensures the organisation operates effectively and professionally. The Council should review and strengthen other core areas of professional oversight including legal, asset management, contracting and procurement. This will be essential for the delivery of key milestones in the Council's Financial Improvement and Sustainability Plan.

Identified significant weakness in arrangements

The capacity available to manage finance and other core areas of the Council was not sufficient and represents a significant weakness in arrangements.

Summary findings

The Council does not have sufficient capacity to ensure that the management of its finances and other core areas of operation meet professional standards. We are aware of steps being taken to complete this work in 2024/25 which will be considered as part of our 2024/25 Value for Money work.

Criteria impacted by the significant weakness



Governance

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

During 2024/25 there have been investment in corporate roles in finance, procurement and legal. With those staff taking up their posts in mid-late 2024/25 there will be increased capacity for the year ahead to work on both local and service activities. There remains a challenge for service teams with limited scope for similar investments in key governance and contract management roles because of the overall financial envelope.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 7

The Council should accelerate its action plan to address the significant weaknesses in its Internal Controls which were evident in 2023/24. Priority should be given across the organisation to engagement with Internal Audit reviews and addressing review recommendations within a reasonable timescale so that the Council's exposure to risk is reduced. The Council's Audit and Governance Committee should include anti-fraud and anti-corruption priorities in its work programme and the Committee should receive regular reports which provide it with assurance about the effectiveness of arrangements to prevent, detect and take action on fraud.

Identified significant weakness in arrangements

The Council has a significant weakness in arrangements to engage with and respond to internal audit recommendations and in the assurance the organisation has about anti-fraud and anti-corruption measures.

Summary findings

Internal Audit recommendations are not consistently addressed in a timely way. The Audit and Governance Committee did not receive any reports about anti-fraud and corruption measures in 2023/24. We are aware of steps being taken to complete this work in 2024/25 which will be considered as part of our 2024/25 Value for Money work.

Criteria impacted by the significant weakness



Governance

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

Despite resource limitations to respond to all audit recommendations, the internal audit team are now regularly reporting to the Council's leadership teams and actively engaged with Directorate management teams, including Children's Services provided by Achieving for Children. This has improved the progress of their work. The Counter Fraud Enforcement Unit have also been engaged in 2024/25 with Audit and Governance Committee adopting updated policies from their work in November 2024.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 8

The Council should decide on its future approach in relation to its wholly-owned property company and ensure that its preferred approach, whether through a company or in-house structure:

- has a clearly specified purpose and objectives
- assesses and monitors financial risk and anticipated outcomes from development projects
- considers the relationship with the Council's future operating model
- ensures that it has benchmarking information to inform the cost base and planned outcomes of new arrangements and monitor future performance and that cost implications and obligations in any arrangement with companies or partnerships are clearly set out in an agreement.

Identified significant weakness in arrangements

Governance arrangements and the efficiency and effectiveness of the Council's property company were inadequate and did not support clarity of purpose and efficient use of resources

Summary findings

We identified a significant weakness in the governance arrangements and in the economy, efficiency and effectiveness of the Council's wholly-owned property company in 2023/24.

Criteria impacted by the significant weakness



Governance



Economy, Efficiency and Effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

A Shareholder Panel was set up in August 2023 to strengthen oversight. Since then, the Council has completed a review of the Propco arrangements in conjunction with CIPFA and has identified the intention to more clearly distinguish between the Council's 'corporate landlord' functions and the management/development of other assets. As this review is implemented, consideration will be given to the best practice objectives around project development, contracting and monitoring.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Key Recommendation 9

The Council should produce a Contract Management Framework and Guidance which sets out standardised processes and responsibilities. Steps should be taken to reinforce the understanding of contract management responsibilities across the Council's services. Effective procurement should be supported by training across the organisation which should include contract management training. The contract standing orders and procurement regulations should be updated. The Contracts Register published on the Council's website should be complete and kept up to date.

Identified significant weakness in arrangements

There were weaknesses in contract management in 2023/24 which include the wider engagement compliance and understanding of contract procedure rules across the organisation.

Summary findings

We identified a significant weakness in contract management in 2023/24. We are aware of steps being taken to address this weakness in 2024/25 which will be considered as part of our 2024/25 Value for Money work.

Criteria impacted by the significant weakness



Economy, Efficiency and Effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

Council teams have worked together to update the contract register and create a procurement pipeline of contract renewals. Investment of three posts in the corporate team and a re-focusing of skills in the Place Directorate has created more capacity while colleagues in Achieving for Children have developed effective contract management processes which will support further development. It is however recognised that much of this work is carried out in services with limited operational capacity and the changes will take an extended period to embed in all areas.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 21 to 43.

The current LG landscape



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;

Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and

The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government. The Chancellor's Budget on 30 October 2024 confirmed the government's plans for greater devolution in England, and confirmed a real terms increase in core spending power to local government for 2025/26 of 3.2%. Including an increase in grant of £1.3 billion. The Chancellor also announced £1 billion additional funding for SEND, an additional £2.3 billion for schools, and that councils will be able to use the full amount of capital receipts from right to buy sales. The detail of what the Chancellor's announcement means for individual councils will become clearer when their provisional finance settlement for 2025/26 is confirmed by government in December 2024.

Local Government Context



The Council is one of six unitary authorities in Berkshire and one of four councils in the country to hold Royal status. It covers the major towns of Windsor, Maidenhead, Ascot and Eton and 25 miles of the Thames. Major landmarks include Windsor Castle, Eton College and Royal Ascot.

The population is approximately 153,500, but population growth in the borough is lower than across the rest of the South-east. The population is ageing, there is a higher average age of 42 than the England average. Windsor and Maidenhead is very affluent, with 50.6% of the area falling into the lowest decile for deprivation and there are no areas in the top two deciles of deprivation.

The Borough consists of 41 councillors representing 19 wards who are elected every 4 years and since 2023 it has been under Liberal Democrat control.

The Council Plan 2024-2028 sets out five strategic aims for the Council:

- Put the Council on a strong financial footing to serve the borough effectively
- A cleaner, greener, safer and more prosperous borough
- Children and young people have a great start in life and access to opportunities through adulthood
- People live healthy and independent lives in supportive communities
- A high performing council that delivers for the borough.

Financial sustainability



We considered how the Council:

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

- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

The Council has five significant weaknesses in terms of its overall financial sustainability. Multiple issues around overspending, budget planning, delivery of savings, low levels of reserves, high levels of borrowing and the high cost of servicing debt have combined with the discovery of historical inaccuracies in financial records which will require correction and place further pressure on the General Fund.

Short and medium-term financial planning

2023/24 Outturn

At the time of writing this report, the Council had not yet been able to produce a 2023/24 outturn report or a draft statement of accounts for 2023/24. An outturn overspend of £33 million has recently been estimated by the Council. The Council's most recent audited accounts were for the year 2020/21 for which a qualified audit opinion was issued. A significant degree of uncertainty therefore formed the context in which the Council's short and medium-term planning took place.

The Cabinet approved its Medium-Term Financial Plan (MTFP) 2024/25 – 2028/29 in July 2023. This plan identified a number of risks including the relatively low level of council tax income, the level of reserves and the growing pressures on the budget of demand-led services. A budget gap of £10.133 million was identified for the period up to the end of 2027/28 and an estimated £3.675 million would need to be saved in service budgets to balance the revenue budget in 2024/25.

When the Council set its 2024/25 budget in February 2024, the 2024/25 savings requirement was £7.479 million – more than double the requirement projected in the previous July 2023 iteration of the MTFP. Inflationary and growth pressures of over £5 million in Adults and Health and £2.6 million in Children's services were included in the total budget growth items of £9.93 million.

Adults and Health

Demand pressures, particularly in Adult Social Care (ASC), have increased pressure on financial sustainability further. Whilst some demand pressures are not always capable of being predicted, it is apparent that the ASC budget was not re-based for the 2023/24 budget in the light of past pressures. Therefore, part of the increasing cost was foreseeable but was not taken into account at the appropriate time.

The service experienced unit cost pressures, and volume increases as well as difficulties in raising and pursuing invoices. However, previous year demand and inflationary pressures were not accurately reflected in the 2023/24 budget which made containing in-year pressures on spending more difficult. Additionally, the outstanding debt in ASC was higher than it would otherwise have been partly due to historic issues around the late raising of invoices and debt.

Financial Monitoring reports in 2023/24 at Month 11 showed that one of the main areas of overspend in 2023/24 was in the Adults and Health Directorate in the provision of ASC. During 2023/4 the forecast rose from an overspend identified in month nine of £5.3 million to £7.023 million in the month 11 monitoring. The forecast outturn was an overspend of £10.392 million. ASC pressures have continued to be a problem in 2024/25 and at month five the forecast overspend was £4.3m.

The 2023/24 year-end position was therefore projected to be significantly worse than anticipated earlier in the year, in part because budget planning was inaccurate and mitigations were not sufficient to prevent a significant overspend. This was a significant weakness in the 2023/24 budget. The Council has now recognised issues around estimating and controlling ASC costs in its budget monitoring, and problems with data quality in assessing demand. External consultants are now being engaged to review and transform the approach to the service.

Financial sustainability (continued)

Short and medium term financial planning (continued)

Children's services

The position on children's placements showed an overspend during 2023/24 - a forecast of £0.8 million at month nine increasing to £1.4 million at month eleven. The position in the early part of 2024/25 reflected an acceleration of the problem (£4.5 million overspend forecast at month five) with, for example, the number of placements of children in residential settings since setting the budget for the financial year 2024/25 doubling.

The Council is engaging consultants to review and transform the approach to the service. This is a service area where small changes in the number of clients can have large financial impacts. The council has experienced increasing pressures in line with many other authorities, though has had fewer financial resources to cushion impacts or invest in alternative approaches compared to other authorities. The problem appears to be acute in the current year.

Other service pressures

The budget for 2023/24 assumed a recovery in parking income levels which was not achieved. Volumes were up approximately 4% but this left the income budget under target by £1.2 million [month eleven forecast]. The assumption of a return to previous levels will now need to be reviewed and the budget rebased. For 2024/25 this area is forecast to be £1.1 million under the income expected.

During 2023/24 spending on Temporary Accommodation was originally forecast to be on budget but a risk was identified that Temporary Accommodation costs of £250,000 might be incurred. Some of the delay in recognising this was due to late invoicing. By the time of the month eleven forecast this was recognised as a likely overspend. The pressure on spending in this area has become very significant in 2024/25 (forecast at £1.4 million at month five) and will need to be one of the areas of focus for the Council.

In conclusion, we consider that there were significant weaknesses in the Council's financial planning in 2023/24 which included a failure to properly reflect previous year demand in the ASC budget, inaccurate estimation of demand and income which is in part a reflection of other weaknesses such as delayed invoicing. As a result of this significant weakness, the Council has drawn significantly on reserves to balance the 2023/24 budget and does not currently have certainty on the level of its reserves. We also consider that the Council's approach to planning its medium-term finances and budget in 2023/24 could have been improved by the use of sensitivity analysis and scenario analysis to consider the potential fluctuations in income streams and its understanding of the potential impact of demand pressures.

We have made a Key Recommendation (Key Recommendation 1) on page 8 of this report about producing guidance for budget preparation which includes improving the accuracy of income estimates.

Savings

The Council identified and approved its net budget requirement of £108 million, which included growth of over £10 million, for 2023/24 in February 2023. Month eleven financial monitoring for 2023/24 indicated a forecast overspend of around £10 million. The Council's planned savings were therefore a critical factor in being able to balance its budget.

Plans for savings were not overly reliant on non-recurrent measures, nor on planned use of reserves. However, financial monitoring indicated that not all of the planned savings in 2023/24 would be delivered. It was forecast that 19% of savings were not expected to be achieved. Financial monitoring in 2024/25 at month 5 shows 34% of savings of £9.2m were not on track to be delivered. Detailed reporting of the savings tracker at member level was paused in 2023/24 but has been reintroduced in 2024/25.

The Council's under-achievement of savings is a significant weakness in the Council's arrangements to ensure financial sustainability. **We have made a Key Recommendation (Key Recommendation 2) on page 9 about this.**

Financial sustainability (continued)

Managing risks to financial resilience

When the Council set the 2023/24 Budget, a contingency budget of £2.38 million was included. The minimum level of General Reserves was deemed by the Section 151 Officer to be £7.9 million and the projected level of unaudited General Reserves at 31 March 2023 was £10.082 million. The Section 25 report recognised that the level of General Reserves was low in comparison with other Councils but advised that the level was adequate providing the Council continued to strengthen its reserves position in the short to medium term.

The General Fund reserve at the time of budget setting for 2024/25 was forecast to be under £4 million by the end of 2023/24 and without a 2023/24 outturn the position remains unclear. A £3.6 million contingency budget provided headroom to deal with potential overspends. But even taking this into account, the overall level of reserves was very low and below the minimum level of General Reserve which was deemed necessary in the previous year. The Council therefore began 2024/25 in a very precarious financial position.

A forecast, at Month 3 of 2024/25, of an £9.8 million overspend on services (£6.3 million after taking account of unallocated contingency budgets) therefore posed a significant challenge to the Council because if this overspend was not tackled by action to control spending in-year, the available General Fund reserve would be exhausted. There may be mitigations which can be achieved in 2024/25, or indeed positive variations due to other factors but on balance it seems unlikely that these would be sufficient for the council to expect to have a positive reserves position at the end of 2024/25.

The Council therefore reported on 24 July 2024 that it was in discussion with the Government's Department for Levelling Up, Housing and Communities [DLUHC] – now the Ministry of Housing, Communities and Local Government (MHCLG) – about the possibility of accessing Exceptional Financial Support (EFS). We have commented further in the section of this report on Financial Governance about the steps the Council is now taking to demonstrate to Government that it has a credible plan to overcome its current financial challenges through the use of EFS.

However, in the course of undertaking our Value for Money work, we were informed by the Council about additional issues which impact significantly on the council's reserves. We set these issues out in a Letter of Concern which was sent to the Council as a draft for consultation on 26 July 2024 and reported to the Council's Audit and Governance Committee on 9 September 2024. We have included our Letter of Concern in Appendix C to this report on page 46.

The issues raised with us by the Council have also been addressed by a review carried out by the Chartered Institute of Public Finance Accounting (CIPFA) which was commissioned by the Council to support its request for EFS. Our findings broadly concur with the review carried out by CIPFA which identifies the following issues that have further implications for the reserves held by the Council:

- Reconciliations of the balance sheet had not been carried out since confirming the balances in the 2020/21 accounts. This is being addressed but in the course of this work omissions and mis-statements have been identified which will require correction and will impact on the balance of reserves.
- Minimum Revenue Provision (MRP) calculations have not been carried out correctly and the Council will need to adopt a more appropriate approach which will increase the provision for MRP.

Additionally, the Council has identified weaknesses in debt and credit control processes, weaknesses in invoice payments to Optalis, the Council's Adult Services provider, and errors in the National Non-Domestic Rates and Council Tax Collection Fund income.

Our predecessor auditors reported in their audit of 2020/21 that the Council had capitalised road repairs with a useful economic life of less than one year which would need to be corrected. A report by CIPFA in 2019 identified other examples of expenditure which had been inappropriately classified as capital expenditure. Whilst we understand that the Council has acted to end those practices, the Council may still have items which have been inappropriately classified as capital expenditure and which require correction.

These are examples of a significant weaknesses in the Council's financial management practices and processes which need to be resolved with urgency. The Council will need to ensure the outcome if the work to complete reconciliations and correct errors is taken into account in its assessment of its current reserves position and in demonstrating the level of financial support it requires through EFS. **We have made a Key Recommendation (Key Recommendation 3) on page 10 of this report.**

We have commented further in the Financial Governance section of this report on the capacity of the Council to ensure that it is able to manage and control its finances effectively in future.

Financial sustainability (continued)

Managing risks to financial resilience (continued)

The Council's Section 151 Officer has considered external legal advice about whether the uncertainty regarding the reserves position might require a Section 114 report. On the basis of this advice the Section 151 Officer will not be in a position to decide whether or not she needs to issue a Section 114 Notice until it is clear that current or future year expenditure will not be capable of being covered by available resources. Correction of the errors and process weaknesses outlined above, together with a decision on EFS will clarify the position sufficiently for the Section 151 Officer to make a judgement about this.

Nevertheless, even if a Section 114 Notice is not required in the immediate future, the Council's reserves are likely to be below that required to ensure the financial sustainability of the Council. If the Council is able to secure EFS and stabilise its position, it will need to have a strategy in place which prioritises the re-building of reserves.

As part of that strategy, it will be necessary for the Council to take into account the Dedicated Schools Grant (DSG) which had a cumulative deficit since 2016/17 and which was expected to be £1.358 million at the end of 2023/24. That deficit is forecast to increase by £3 million in 2024/25.

The Council has prepared a DSG deficit recovery plan. The Council's level of DSG deficit is not large compared to some Authorities, but the main risk the deficit creates is that the Council may have to meet it or more likely the in-year deficit if and when the statutory override is removed.

Demand pressures are likely to continue to result in cost pressures in DSG budgets and the Council needs ensure that it continues to be sighted on the potential implications of these pressures for General Fund reserves.

We have therefore concluded that the Council must address its reserves position as a matter of urgency. Once it has a clear picture of the current position, the Council should develop a strategy to address its current low or negative reserves position. This should include setting out its aim to replenish reserves to a safe and sustainable level, the approach to addressing the DSG deficit, and should include timescales and minimum level of general reserves.

We have made a Key Recommendation (Key Recommendation 4 on page 11) about developing a reserves strategy.

In addition to demand pressures, the Council did not achieve planned income targets from its car parking activities in 2023/24. Income generation will be of particular importance given the Council's financial challenges. **We have therefore made an Improvement Recommendation (Improvement Recommendation 1 on page 25 about planning and forecasting for are as of high income generation.**



Dedicated Schools Grant Deficits

In December 2022, the UK Government announced that it would be extending statutory override for the DSG in England for the next 3 years, from 2023-24 to 2025-26. By the time this period elapses, the statutory override will have been in place for six years.

Whilst statutory override remains in place, there is no requirement to make provision from general reserves for repaying the deficit. Reforms and savings targets have been agreed with those local authorities with the biggest deficits. However, all local authorities need to focus on managing (and reducing) their deficits – because how these will crystallise as liabilities in 2026 is not clear.

Within DSG, the High Needs Block has proved particularly problematic. The Block is there to support children with special educational needs (SEN), which means providing more teaching staff and resources. However, there is often a significant gap between funding granted per child and the actual cost of the teaching and other resources needed.

Every parent has the right to apply for support for their child. An expensive appeal process also exists. There are significant regional differences in numbers of plans granted by local authorities and cost management on those plans once they are granted. Managing (and reducing) the growing DSG deficits that arise as a result will be a challenge both for financial sustainability and for maintaining the overall quality and effectiveness of service provision.

Financial sustainability (continued)

Capital and Debt

The Council refreshed its capital strategy as part of the 2024/25 budget-setting. In this strategy the Council noted that £345 million had been spent on capital projects over the previous decade and that this had contributed to the Council's high level of debt. New capital projects included in the capital programme were therefore restricted to a total of £19.7 million, of which £16.8 million was supported with external funding.

Slippage of capital spending in 2023/24 was estimated at £43 million and a substantial proportion of this was re-profiled to take place in 2025/26 or later. This included £16 million related to the planned development of Maidenhead Golf Course which actually had to be paid in 2024/25.

The approach being taken by the Council to reduce and re-profile capital commitments and reduce borrowing is appropriate given the reported level of debt carried by the Council in the Treasury Management Strategy. The forecast external borrowing requirement for 2024/25 was £210.63 million and the Council set an authorised limit for external debt of £253.79 million with an operational boundary of £243.79 million. Nevertheless, the Council is refinancing a significant proportion of its debt during 2024/25 (£115 million) and does not expect that refinancing will yield significant opportunities to reduce borrowing costs. Furthermore, additional debt relating to EFS will add to the pressure on the need for asset disposal. The Council's strategy in the medium-term is therefore dependent on reducing borrowing through the development and disposal of assets, in particular the Nicholson's Quarter and the Maidenhead Golf Course.

We note that the detailed preparation of the capital strategy was hampered to some extent by the availability of capacity within the Finance Team and we have commented later in this report about the capacity issues.

Overall, we have concluded that the Council's strategy to reduce capital requirements in view of the high level of debt is appropriate. However, we draw the Council's attention to the comparisons made through the CIPFA Resilience Index (2022/23) (Fig 1) which highlights the Council's relative weakness in carrying high levels of debt at the same time as low levels of reserves. The Council's high level of debt is a significant weakness in the Council's financial sustainability and **we have made a Key Recommendation (Key Recommendation 5) on page 12 of this report.**

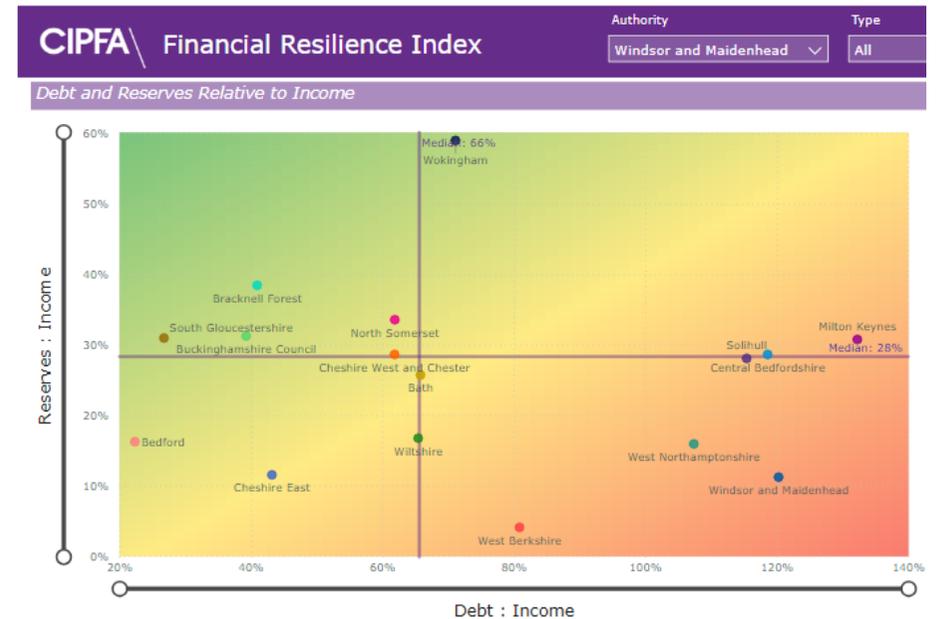


Fig 1 CIPFA's Financial Resilience Index: the Royal Borough of Windsor and Maidenhead and comparator councils in terms of Debt and Reserves relative to Income

Improvement recommendations

Improvement Recommendation 1	The Council should develop its approach to forecasting, monitoring and maximising income generation in areas for activities of high income generation, including car parking.
Improvement opportunity identified	Improved forecasting and monitoring of income streams is important to enable early action to be taken to deal with budget shortfalls. Maximising income sources will help the Council address its budget challenges.
Summary findings	The Council has not achieved planned income targets, including car parking income.
Criteria impacted	 Financial Sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	There is a detailed model behind our parking income forecast, and the budget monitoring reports in 2024/25 have reported this clearly,. More widely we have invested in the system that underpins Adult Social Care to ensure that we are better able to forecast and track care contributions, while Achieving for Children have used their limited capacity to develop reliable income streams from schools both within and outside of the Borough

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance – Financial Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Addressing Financial Governance challenges

On page 22 of this report we have made reference to the Council's application for EFS and the report on its Financial Resilience which was reported to the Cabinet on 30 October 2024. The CIPFA review findings, which was carried out to support the Council's application for EFS, are consistent with the findings we have set out in this report and with the Council's own assessment of its challenges which have been openly shared with us.

The CIPFA review outlines immediate steps the Council should take including completing the balance sheet reconciliations and producing an estimate of the financial support it needs; developing a recovery plan; and selling assets to reduce its debt burden. There will be additional steps to be taken if the Section 151 Officer concludes that it is necessary to issue a Section 114 Notice.

The Council has produced a Financial Improvement and Sustainability Plan (FISP) alongside the CIPFA Review in which it has set out the actions it will now take in response to the Review findings. The FISP is divided into five themes aimed at making the Council more financially sustainable. This includes a focus on the CIPFA conclusion that the Council should urgently address the reconciliation of historical discrepancies. The Council will also need to update its MTFs and be clear about the financial gap it faces over the next four years.

The Council has already embarked on a series of Governance improvements and intends to introduce an independent Financial Improvement and Sustainability Board to provide advice and challenge to the Council. The FISP also outlines underlying principles which will be important in navigating through an extensive set of challenges and planned actions. The recommendations we are making in this report are broadly consistent with actions in the FISP which, again, reflects the openness adopted by the Council about the scale and nature of its challenges.

The FISP is necessarily a fairly high level and wide-ranging plan which will need to be under-pinned by early implementation of some of the financial monitoring and governance actions in the Plan.

In particular, effective processes to scrutinise the business cases of further transformation plans and detailed monitoring of performance in achieving savings and transformation plans should be among the immediate priorities. **We have made an Improvement Recommendation (Improvement Recommendation 2) on page 32**

The Council is now in a position where it needs to focus the bulk of its energy on delivering the short-term changes which will enable it to balance future budgets and replenish its reserves. However, there is also a longer-term consideration which will need to be addressed about the Council's vision of what its operating model will be in the future.

It is clear that the default model of the Council has been based on a significantly lower council tax than comparator councils whilst maintaining an ability to undertake a wide range of discretionary activity. For a relatively small unitary council with more limited opportunities for economies of scale, this has proved to be a challenging model to operate sustainably. Partnership arrangements through Optalis and Achieving for Children have helped to be able to access some economies of scale but they may also have constrained the agility with which the Council can operate.

Governance – Financial Governance

(continued)

Addressing Financial Governance challenges (continued)

The Council needs to consider how its future operating model might differ from the current model. In particular, this consideration should include the extent to which the Council can continue to provide the range of discretionary activities it presently does. It should also be under-pinned by a clear view of what the Council's key partnership arrangements should be in future. We do not consider that this is a significant weakness in current arrangements. The Council must address more immediate priorities first. However, we have made an Improvement Recommendation (**Improvement Recommendation 3 on page 33**) about this so that the Council can ensure that the development of a future operating model is not lost.

The challenge of delivering transformation will be made more difficult by organisational weaknesses in capacity. This is a significant weaknesses in the Council's Governance systems which has exacerbated its position in terms of financial sustainability. The effective management of the Council's finances has been undermined over a considerable period of time by inadequate capacity in the organization to ensure that the appropriate level of professional supervision has been present.

The consequences of this situation include the historical errors and omissions which have now been identified by the Council and which place further pressure on the Council's financial sustainability. Additionally, delays in the drafting of financial statements of account and audit completion means that there are no audited accounts for 2021/22 and 2022/23 and (at the time of drafting this report) a financial outturn report and accounts for 2023/24 have not yet been published.

The historical financial issues which were identified towards the end of 2023/24 and early in 2024/25 are material factors in the significant weakness in the Council's financial sustainability in relation to its budget gap and reserves position on page 21 of this report.

Specifically, bank reconciliations were not completed in a timely and effective way and were not integrated with the finance system. The reconciliation of debtors and creditors with the Council's adult care provider resulted in the identification of unpaid invoices amounting to around £500,000 and further unreconciled items which were unresolved at the time of writing this report.

Errors in calculating the NNDR income were also identified which led to an error of £5 million in the Council's 2023/24 income and a potential requirement to correct errors relating to previous years.

These issues are examples of a significant weakness in the Council's arrangements for effective financial governance because they indicate a failure to ensure compliance with the Council's Financial Procedure Rules which are set out as Part 8C of the Council's Constitution as well as representing breaches of professional standards.

We have therefore concluded that the Council needs to address the issue of organisational capacity to effectively manage its finances and to ensure that its decisions are in line with its own rules and procedures and under-pinned by appropriate professional expertise and capacity. The Council should develop and resource a plan to strengthen its finance team. Whilst there is a specific priority around the finance function, we are also aware that the Council has other capacity challenges in core areas of the organisation which include legal services and procurement. As well as addressing these challenges, the Council must also continue to provide the capacity to effectively administer the Royal County of Berkshire Pension Fund, maximise the value of its assets, and maintain its ability to deliver value for money.

The Council must therefore consider the core capacities it requires to maintain a safe and effective organisation which works consistently to professional standards. Funding this level of capacity should be the priority for the 2025/26 budget.

We have made a Key Recommendation (Key Recommendation 6 on page 13) to address this significant weakness in capacity.

Governance

Standards, behaviours and organisational culture

We welcome the positive cultural changes which have been taking place over recent years, including reinforcement of organisational values and stronger internal governance arrangements for the management oversight of performance and resources under a relatively new Executive Leadership Team. Officers of the Council have been open about the challenges facing the organisation and the weaknesses they have encountered and are trying to rectify. This approach is positive and a developing sense of self-awareness and focus on the things that matter will help to build a strong cultural foundation for the organisation's future.

It is evident that senior managers are successfully modelling the values and behaviours which will help to reinforce improvement and positive change in the Council. This includes supporting effective and transparent decision-making with sound information and advice. This is a strength which the Council can build on. However, we note that local and national elections impacted on the Council's business in the first four months of 2024/25 and the capacity issues within the Council meant that planned meetings were cancelled. In other circumstances this approach may have been sustainable but the Cabinet meeting which should have received a Month two financial monitoring report was cancelled. The report projected a £7.8 million overspend for 2024/25 and, in view of the Council's reserves position, this was a key moment in terms of oversight of the financial challenges facing the Council.

We note that members were briefed in private but the issues faced by the Council should also have been reported and discussed in public in a timely way. We do not consider this to have been a significant weakness in the Council's arrangements but **we have made an Improvement Recommendation (Improvement Recommendation 4 on page 34)** for the Council to consider for similar future circumstances.

Part 7 of the Constitution includes a Member Code of Conduct, an Officer Code of Conduct and a Member/Officer protocol. The Member Code of Conduct sets out general principles for conduct based on the seven principles of Public Life, aimed at reinforcing the public trust placed in members. The requirements in terms of general conduct are clearly set out with an explanatory narrative and they focus on respect, bullying, harassment and discrimination, impartiality, confidentiality and access to information, disrepute, use of position, use of local authority facilities and resources, compliance, reputation, and gifts and hospitality. An appendix deals with registering and declaring interests. Arrangements for dealing with standards complaints are also clearly set out.

Member declarations of interests and gift and hospitality declarations are published on the Council's website. The Officer Code of Conduct covers accountability, political neutrality, relationships, equality, use of resources, fraud and corruption, whistleblowing and treatment of information. Reference is made to Raising Concerns at Work (Whistleblowing Policy), Use and Disclosure of Personal Information Policy, Data Protection Guidance for employees, Information Security Policies.

Officers are required to declare any interests. Records of declarations of interests are retained by individual managers but there is no central register which would allow senior managers to monitor declarations across the organisation. **We have made an Improvement Recommendation (Improvement Recommendation 5) on page 35 about this.**

Overall, we have concluded that the Council has appropriate arrangements in place for setting standards, monitoring behaviours and reinforcing a positive organisational culture.

Informed decision making

We are satisfied that the arrangements for providing relevant information to support the Council's decision-making included a sufficient range of detailed information and professional advice. There was transparency around the consultations prior to decisions being taken. There was evidence that pre-scrutiny of Cabinet decisions took place and could impact effectively on decision-making.

Nevertheless, the significant weakness about capacity identified on page 26 of this report in the Financial Governance section highlights that this is a further example of a risk that the Council may not have sufficient capacity to inform and advise effectively in future.

Governance (continued)

Risk management, internal controls and anti-fraud and corruption

The Council has established arrangements in place to identify, understand and record strategic risks. The Risk Register records risks relating to the Council's objectives and classifies those with the most damaging potential impact as key risks. The Strategic Risk Register is reviewed by senior managers and the Council uses a professional approach to manage risks and put in place controls and mitigations.

Risks are reported to the Audit and Governance Committee on a quarterly basis and indicate the risk status using RAG (Red Amber Green) rating and indicating the direction of travel, identifying the senior responsible person and the date of the last review.

Fifteen strategic risks, together with risk controls and mitigations were identified in the Quarter two report in November 2023. The highest rated strategic risk was HOF6 which recognised the risk of dealing with financial pressures. The risk register goes on to identify a number of mitigations in place around budget challenge, monitoring and star chamber sessions.

Risk Management roles and responsibilities are set out in the Council's 'Approach to Managing Risk' and overall responsibility lies with the Chief Executive and specific roles linked to Cabinet members, Audit and Governance Committee, the Head of Finance, the Executive Leadership Team, the Insurance and Risk Management Team, Internal Audit, Managers and all staff.

However, the Council has not consistently been able to ensure that its response to identified risks has been appropriate and effective and this is reflected in the Internal Audit Opinion reported in May 2023. The Internal Audit Annual Opinion concluded: "Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives." Eleven of the seventeen assurance reviews carried out in 2022/23 resulted in a "limited Assurance" opinion. Three high corporate risks were identified as a result of the reviews in relation to contract management, business continuity and S106 Agreements.

The risk of fraud and corruption was identified as a key risk (HOF0015) in the Council's Strategic Risk Register and the controls in place including anti-money laundering, prevention of bribery and anti-corruption policies.

However, there were no reports relating to assurance on fraud or fraud prevention considered at any Audit and Governance Committee during 2023/24. The Anti-Fraud and anti-Corruption policy says that incidents of fraud and corruption are reported to the Committee.

Internal Audit have carried out baseline procedures, for example, checking that appropriate policies and procedures are in place around fraud prevention and detection, for which limited assurance was given and follow-up work is planned for the current year. In addition, Internal Audit have not received any referrals for follow-up work. We understand that the Council has engaged new external services to support counter-fraud work which began in May 2024.

The Council has, prior to 2023/24, introduced new internal audit arrangements to address the need for improved and more regular assurance. Greater involvement with the internal audit service has included quarterly management assurance meetings which are helping to improve oversight at senior management level and are building on positive changes of the last few years. However, there is still a significant weaknesses in the systematic engagement of managers across the organisation in responding to Internal Audit recommendations This includes instances of non-compliance and slow responses.

The draft Annual Governance Statement was considered by the Audit and Governance Committee in July 2023. A review of Governance was led by the Statutory Governance Officers Group in 2022/23 and its findings resulted in an action plan. Key actions resulting from the review included: i) making Code of Conduct training for Members compulsory ii) adoption of a new approach to engagement iii) embedding a new performance management framework iv) review of the Council's governance of the property company and establishment of a shareholder panel v) review of procurement and contract management.

We have concluded that there is a significant weakness in the assurance the organisation gains over its internal controls which includes the wider response of managers across the organisation. Non-compliance, slow responses to audit recommendations and an absence of reporting on fraud or fraud prevention are all symptomatic of a weak control environment. The Council's assurance arrangements in respect of the prevention and detection of fraud were inadequate in 2023/24.

We have therefore made a Key Recommendation (Key Recommendation 7) on page 14 of this report.

Governance

Audit Committee

Four meetings of the Audit and Governance Committee took place during the year and all members of the committee attended each meeting. Our review of the meetings found that members of the Committee were engaged actively in raising questions and shaping the Committee's decisions. There was a positive and respectful tone in the meeting which included the ability to pose questions and challenge officers.

Training is offered to new members and options for further training are provided from time to time. However, we are concerned that not all training is well-attended. Training for audit and governance should be regular to ensure all members are up to date and attendance should be a requirement for AGC members. The Council's regulatory panel members must complete training before sitting on a committee and a similar approach may be beneficial in ensuring that the Audit Committee can maximise its effectiveness.

We have made an Improvement Recommendation (Improvement Recommendation 6) about this on page 36 of this report.

Independent members can provide experience and insight to the work of the Audit and Governance Committee and the co-option of independent members is widely recognised as best practice. The Audit and Governance Committee does not have any independent members although we understand that a decision to explore independent membership was made some time ago. **Independent members could bring key skills and experience to the Committee's work so we have made an Improvement Recommendation (Improvement Recommendation 7) on page 37 about this.**



Governance (continued)

RBWM Property Company Ltd

The Council is the sole owner of the RBWM Property Company Ltd which was originally established to develop affordable housing for key workers across the borough. Over time, the company's purpose and role has evolved and in 2022 the company absorbed the Council's Estates and Asset management functions.

The Council only introduced formal shareholder oversight arrangements in August 2023, although the company's business plan includes references to the re-focusing of its objectives in 2021 by the shareholder. This exercise was to help deliver sustainable regeneration, produce a revenue stream for the council and also to deliver the asset management and property functions for the council.

The minutes of the initial meeting of the newly formed Shareholder Panel held in August 2023 questioned the focus of the company and the further development of the plans was put on hold pending a decision on what direction the council wanted to take with the company. It was noted that the original target was to provide 1000 social homes per year for ten years but that only fourteen units were under construction.

Although the company was profitable in 2020/21 and 2021/22, it was reported that a loss was projected for 2023/24 and that therefore no dividend would be paid to the Council. This will impact on the 2023/24 outturn when it is produced as a dividend of £260,000 was included within the 2023/24 budget and is included in each of the five years of the MTFS from 2024/25 to 2028/29. The projected loss was, to some extent, attributable to differences of view between the company and the council about which party should bear certain costs.

The company has developed a significant role in relation to the Council's development schemes. One of the most significant of these schemes is the Maidstone Golf Club which became the subject of a joint venture with Carla Homes after a tender process in 2018. This venture anticipated a £205 million value for the land when developed and to some extent, that anticipated land value has under-pinned the Council's capital investment and borrowing decisions over recent years. An outline planning application was submitted in January 2024 and by March 2024 a revised estimate of the land value was confirmed as almost half of the original estimate due to a reduction in the net developable area, cost inflation and minimal growth in sales prices. The Council sought independent advice which verified the revised valuation.

The Council has commissioned a review of the property company with a view to bringing its functions back in-house. CIPFA have undertaken this property company review and have identified a number of issues which reflect weaknesses in the governance arrangements for the company. These include some cultural barriers and a misalignment with the Council's culture as well as some personality clashes within the company itself. The company has a mix of employees, some of whom are seconded from the Council and others are directly employed by the company.

The CIPFA property company report also identifies that senior staff employed by the company are relatively costly due to salary rewards which are not aligned with the Council's pay scales and that the company lacks some specific capacities which mean that it does not work as effectively as it might.

The Council must now decide whether it will continue with the company in its current form or look at alternative options including in-sourcing this activity

The company is not producing the financial or development outcomes which the council originally envisaged. Multiple objectives, changing over time, have undermined the clarity over the company's purpose. Insufficient shareholder accountability prior to August 2023 was a factor in the strategic drift which took place. These are governance failures which compromised the Council's ability to ensure that it was achieving economy, efficiency and effectiveness in the work it was undertaking through the company. The differences in senior salaries paid to company staff when compared to the council are not justified by the outcomes of the company which was expected to produce a financial return to the council as well as achieving its objectives. The company appears to have made decisions, including making a member of staff redundant, which has significant financial implications for the Council. And there is not a clear strategy in place which would allow the Council to achieve greater value from its assets.

We have concluded that the Council's arrangements for its property company are significant weaknesses in the arrangements to ensure that governance is effective and that the Council delivers economy, efficiency and effectiveness in its land, property and development activities. We have therefore made a **Key Recommendation (Key Recommendation 8 on page 15)**.

Improvement recommendations

Improvement Recommendation 2

In implementing the Financial Improvement and Sustainability Plan, the Council should prioritise ensuring that it has effective processes to scrutinise the business cases of further transformation plans and detailed tracking and reporting of performance in achieving savings and transformation plans among its immediate priorities.

Improvement opportunity identified

Strong processes around the identification and implementation of savings and transformation plans will increase their impact and speed of delivery.

Summary findings

The Council is embarking on a complex and rapid change process to stabilise its finances which will require effective control and monitoring processes.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council has put in place the Future Shape RBWM programme which provides Directorate and leadership level oversight of Transformation projects, including the review and monitoring of the delivery of benefits of all types. This, coupled with increased capacity for monthly budget monitoring at the directorate level, will give increased clarity of the progress of savings.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3

The Council should develop a clear vision and plan about its future operating model which takes into account its constrained resource base, the breadth and quality of its service offer (particularly in relation to discretionary services), its potential for income growth and its scope for collaboration and partnership. The plan should include a roadmap and timescales for achieving a future operating model.

Improvement opportunity identified

The Council needs to set out its future operating model taking into account the resources available in future.

Summary findings

The Council's default operating model is unsustainable.

Criteria impacted



Governance

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

The Council's operating model will be kept under review, with changes made where appropriate. The Council successfully uses different operating models, such as Achieving for Children to overcome limitations of scale and that experience. Changes to the operating model have been made in the last 6 months, with adult social care statutory services having been transferred back to the council from Optalis in August 2024. Further changes will happen in the New Year, with services transferring back from PropCo.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Improvement recommendations

Improvement Recommendation 4

The Council should consider developing a protocol which covers the circumstances in which a cancelled Cabinet meeting might be reinstated or rearranged urgently to deal with situations which have arisen at short notice and to ensure that the Council's governance operates in an effective and transparent way.

Improvement opportunity identified

The financial and improvement challenges currently faced by the Council require the Council to operate with agility and pace whilst maintaining effective governance and transparency in its decision-making.

Summary findings

The Council should ensure that it is able to maintain frequent and regular formal reporting on its financial performance in order to address its current challenges.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The cancellations of meetings is a rare occurrence and does not have a material impact on the council's governance.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 5

The Council should consider options for introducing a central register of officer declarations of interest and officer declarations of gifts and hospitality so that they are visible to appropriate levels of management and to obtain assurance around compliance with the requirements of the Code.

Improvement opportunity identified

A central register of declarations enables proper oversight and assurance to be obtained over potential conflicts of interest.

Summary findings

The current practice is the responsibility of individual managers which reduces visibility and assurance over compliance.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Each Directorate has a local register and clear policy, however as part of process improvement work being undertaken in 2025/26 we will consider how to provide assurance in line with the code.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 6	Training for the Audit and Governance Committee should mirror the arrangements for Regulatory Committees and should be mandatory for all Committee Members before taking up their roles. Refresher training should be organised at least annually and should also be mandatory.
Improvement opportunity identified	Training opportunities help to increase the effectiveness of the Audit Committee in discharging its functions.
Summary findings	Training available to Audit Committee members has not always been well-attended.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council will consider the recommendation when reviewing the terms of reference for the Audit and Governance Committee through the appropriate governance process.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 7

The Audit and Governance Committee should review its arrangements and consider adding independent members to its membership to strengthen the range of skills and experience available to it and to align with recommended practice by CIPFA.

Improvement opportunity identified

Independent members could strengthen and bring key skills and experience to the Audit Committee's work

Summary findings

The Audit Committee has previously requested that consideration should be given to the addition of one or more independent members. However this has not been actioned and therefore the potential for additional skills and experience has not been realised.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council will consider the recommendation when reviewing the terms of reference for the Audit and Governance Committee through the appropriate governance process.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- 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
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

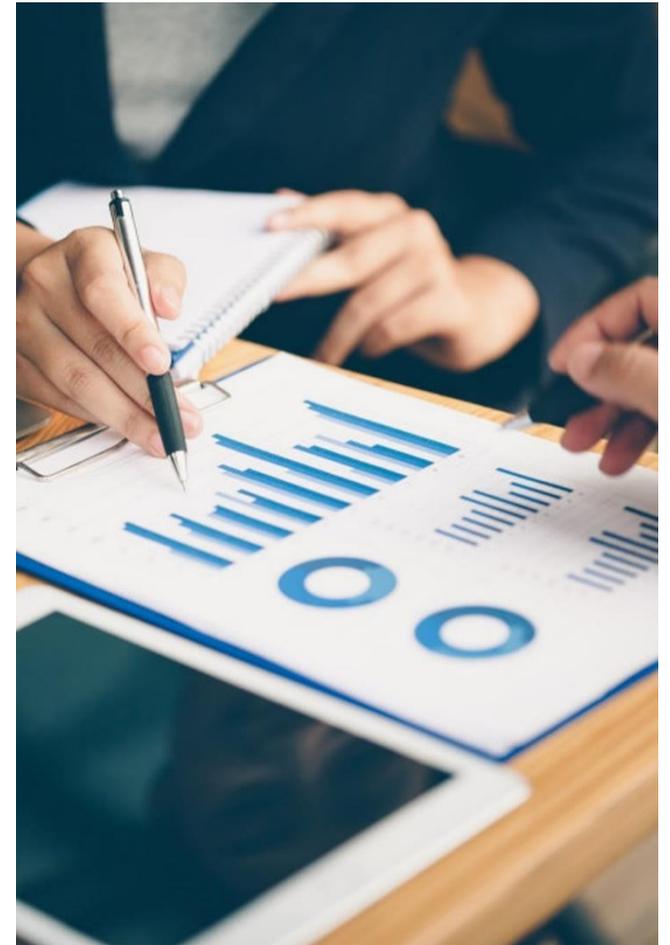
The Council used a range of data to monitor overall performance with cross-cutting indicators grouped into information governance, budget, workforce and complaints and compliments. There was an acknowledgement that this was an interim position while work to refresh the corporate plan was taking place and a new suite of performance indicators which relate to new priorities was being developed.

The Cabinet considered a draft new Council Plan in March 2024 to cover the period from 2024 to 2028. The Plan set out five strategic aims: 1) putting the council on a strong financial footing 2) a cleaner, greener and safer borough 3) A great start in life for children and young people and access to opportunities through adulthood 4) Healthy and independent lives in supportive communities 5) A high performing council. The covering report noted that climate change and sustainability aims required action across all areas of the council. A technical appendix identified key actions and deliverables with key performance indicators identified for each aim.

The Cabinet received quarterly assurance reports covering performance and risk related to the Corporate Plan. Performance reporting used RAG rating and indicated a direction of travel. Key messages were summarised in reporting and progress was monitored against targets where they were in place.

Performance improvement arrangements included a Performance and Risk Management Board (officer working group) and performance reporting to the Corporate Overview and Scrutiny Panel which could drill down into performance and challenge performance.

The Council utilised comparative performance information to benchmark its own service performance. For example, in Adult Social Care the Council experienced increasing demand for services which were provided through Optalis – a company which is jointly-owned with Wokingham Borough Council. Demand pressures led to overspending against budget in 2022/23 but this was mitigated by underspends elsewhere in the Council. However, the Adult Social Care budget for 2023/24 does not appear to have fully recognised the additional demand.



Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Our own assessment of the Council's performance shows that, on adult social care, it is the lowest spending council per head of population in its statistical nearest neighbour comparator group (based on revenue outturn figures for 2022/23). (See Fig 2) The service also has comparatively low unit costs. The service is aware that its position as a relatively low spender with low unit costs may limit the scope to make cost savings and contain the current overspend in the context of current market dynamics.

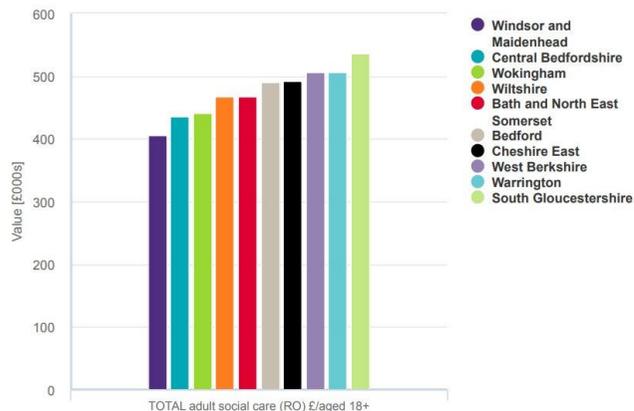


Fig 2 Adult Social Care spending comparison

Block contracts have provided the Council with some certainty in recent years but providers are increasingly abandoning block contracts in favour of spot pricing to address inflationary pressures and take advantage of rising prices. The Council is therefore looking to a more transformative approach to re-shape the way the service works. This includes understanding the market dynamics around care and placement contracts, working on long term relationships with trusted providers, bringing assessment back in-house from its jointly owned company, Optalis, and improving the IT system to enable to allow clearer insight into individual journeys through care. The Council also intends to secure an external partner to work on in-depth service transformation.

We have concluded that the Council's arrangements to make effective use of financial and performance information to support the way it improves services is adequate and the focus of activity on Adult Social Care transformation is appropriate. However, the failure to properly recognise historic rises in demand impacting on the Adult Social Care budget has contributed to a situation where the projected overspending at Month 3 of 2024/25 was over £3 million. The issue of re-basing the budget to reflect the reality of current demand so that plans to transform the service and make savings can be assessed against an accurate baseline is addressed in our Key Recommendation 1 on page 8 of this report.

Partnership working

A Partnership Protocol is included in the Council's Constitution (Part 7J). This sets out the principles of partnership working, defines what a partnership is, and sets out the protocol by which partnerships should be governed. The protocol covers ensuring there is an officer accountable for performance of a partnership, an agreed reporting framework, clear objectives and outcomes, agreed action plans, a shared approach to risk and performance, data sharing arrangements, Cabinet and Scrutiny oversight, and appropriate governance arrangements.

The Council is reliant on a number of partnership arrangements to achieve the benefits of economies of scale that would not otherwise be available. Achieving for Children (AfC) is a community interest company in which the Council has a 20% shareholding. An AfC Annual Report was considered by the Cabinet on 25 October 2023 and on 27 March a new Strategic Plan (2024-2029) was approved at Cabinet. AfC has an OFSTED rating of Good for social care and fostering and for the Way to Work Apprenticeship programme. The CQC rate Health Visiting and School Nursing as Good.

Historic partnership working on joint legal services was replaced in 2023 with a new Shared Service Agreement with improved governance arrangements and an emphasis on value for money. A new joint committee was approved on 20 February 2024 to act as a commissioning vehicle for the management of the former Local Enterprise Partnership activities.

Improving economy, efficiency and effectiveness (continued)

Partnership working (continued)

We have noted the reviews of governance arrangements in different partnership activities which have taken place. The last Local Government Association (LGA) Corporate Challenge progress report in October 2022 made a recommendation about a clear framework on the role and governance of arms-length companies in which the Council participates and we consider that this could be a useful approach to managing all of the Council's significant partnerships. We have therefore made an Improvement Recommendation (**Improvement Recommendation 8 on page 41**) about this. Overall, we have concluded that the Council's partnership arrangements are appropriate and reflect importance of achieving scale by collaborating with other partners



Commissioning and procurement

The Council's Contract and Tendering Procedure Rules are set out in Part 8A of the Constitution. There are weaknesses in the Council's arrangements which have been identified in an Internal Audit Report published in January 2023. The Council has devolved significant elements of tendering and contract management to departments. The Internal Audit report found that there was an absence of detailed guidance and training to support procurement and contract management activity. There is also an evident capacity issue in terms of the procurement team and legal services.

The Internal Audit report also found that the Council's contract register is incomplete and we have reviewed the register published on the Council's website which includes a substantial number of contracts without contract values shown. We have noted that contract management was identified as an area of weakness by senior managers. Nevertheless, we have concluded that contract management is a significant weakness which remains a risk to the Council and which should be addressed as a matter of urgency. A Contract Management Framework and Guidance should be produced to set out standardised processes and responsibilities. The contract standing orders and procurement regulations should be updated. Effective procurement should be supported by training across the organisation which should include contract management training. And the Contracts Register published on the Council's website should be complete and kept up to date.

We have therefore made a Key Recommendation {Key Recommendation 9 on page 16 } that the Council take immediate steps to address the weaknesses in contract management.

Improvement recommendations

Improvement Recommendation 8

The Council should develop a framework setting out the role, aims and governance framework for partnerships it is engaged with.

Improvement opportunity identified

The Council should have clear aims in relation to its partnerships which allows for periodic review.

Summary findings

There is scope for greater clarity of purpose around partnership engagement

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council is reviewing the governance of its key partnerships with the goal as set out in this recommendation. Following the realignment of some services from Optalis into the council, that contract and partnership agreement is being updated; the Governance Arrangement for Achieving for Children has been reviewed in Q3 of 2024/25; and the Property Company arrangements are the subject of an ongoing review.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Opinion on the financial statements



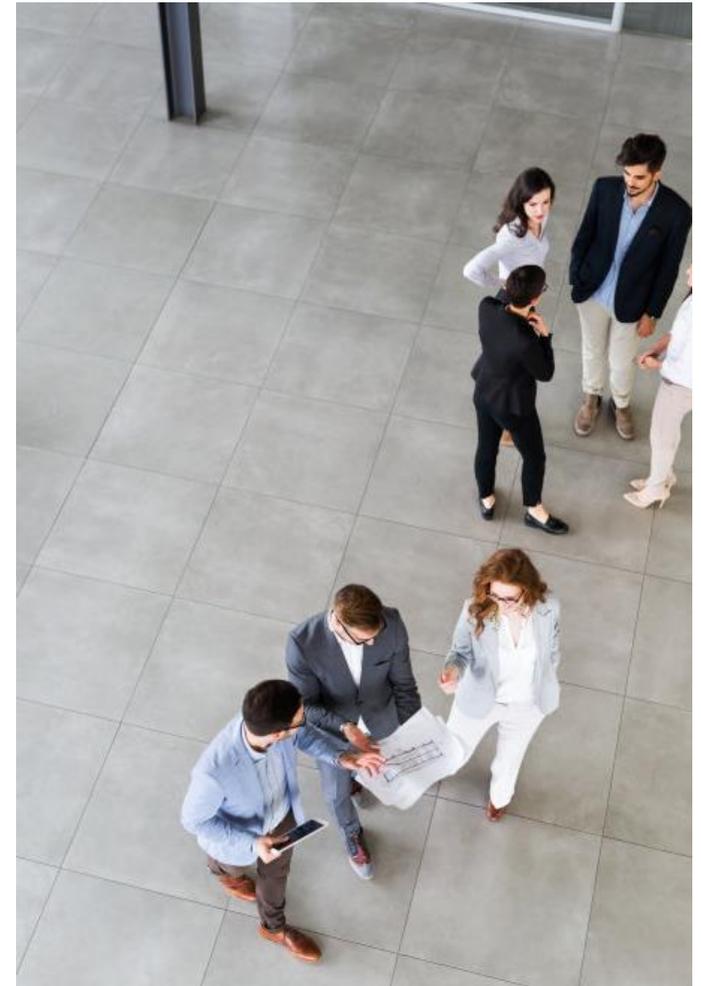
Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

The Council published its draft 2023/24 financial statements on 11 January 2025. The Council was not able to support the audit process ahead of the backstop deadline of the 28 February 2025. Our opinion was held open whilst we considered two objections received from members of the public. Our work is now concluded in this area and there is nothing that impacts on our proposed backstopped opinion or initial findings reported in our Interim Auditors Annual Report. Our disclaimer opinion was issued on 11 December 2025.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

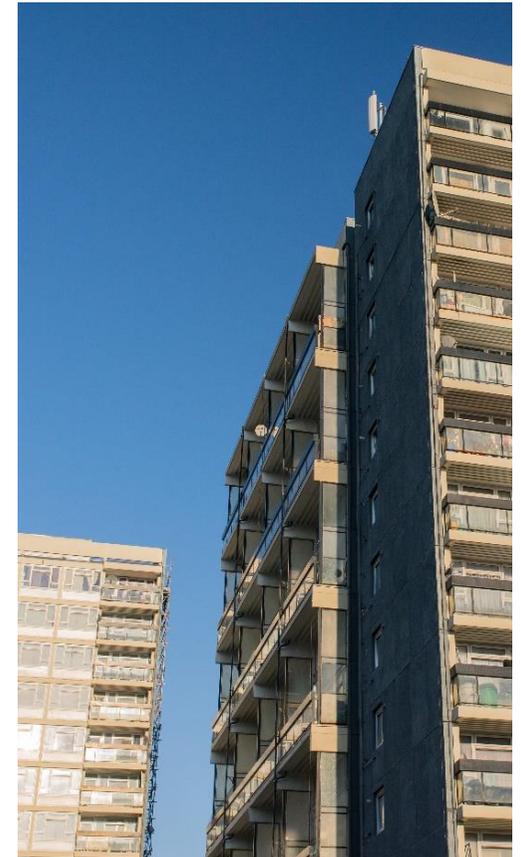
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	8-16
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	31-36, 40

Appendix C: Letter of Concern

Commercial in confidence



Stephen Evans
Chief Executive
Royal Borough of Windsor and Maidenhead
Town Hall, St Ives Road
Maidenhead
SL6 1 RF
26 July 2024

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL
T +44 (0)117 305 7600

Dear Stephen

Royal Borough of Windsor and Maidenhead – Financial Sustainability and Governance

Grant Thornton UK LLP was appointed as your external auditors for the five-year period commencing 2023/24.

As the appointed auditor our responsibilities include to give an opinion on the financial statements and assess the arrangements for Value for Money (VFM) - securing economy, efficiency and effectiveness in the Council's use of resources.

We also have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make statutory recommendations and to apply to the Court for a declaration that an item of account is contrary to law. This letter is an informal communication ahead of a more formal consideration of the use of these powers and reflects the serious emerging issues arising from our 2023/24 VFM audit.

Whilst our VFM work is ongoing, the work to date has identified a number of serious concerns about the financial challenges that the Council is facing and the risks to the Council's financial sustainability and effective governance in the short and medium-term. In raising these concerns, I want to acknowledge the open and transparent approach that both you and Elizabeth Griffiths (S151 Officer) have taken in discussing the Council's challenges and some of the historical issues which impact on the Council with us as your newly appointed auditors.

Background

The Council is aware that it faces significant challenges to its financial sustainability. On 22 May 2024 a financial update informed the Cabinet that the Council was to approach Government to seek Exceptional Financial Support (EFS). This support sought to provide financial capacity to enable the Council to address historic problems including the need to transform services and address the current underlying deficit.

The Council's General Reserves are estimated to have fallen below £4 million and recent reviews of earmarked reserves have left very limited opportunities to re-prioritise these reserves to support the General Fund. This situation, together with ongoing spending pressures, capacity challenges and governance weaknesses significantly increases the level of risk the Council faces. Further detail on this is set out below.

Our responsibilities

As part of our VFM responsibilities we are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money, recommendations are made setting out the actions that should be taken by the Council. The Code expects where auditors identify significant weaknesses in arrangements as part of their work, they raise them promptly with those charged with governance.

Whilst we have not yet completed our Value for Money work for 2023/24, the findings to date indicate a large number of significant concerns that are set out in more detail below:

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Appendix C:

Letter of Concern

Initial Findings

1. The Council has not yet published a draft outturn for 2023/24 but reported at Month 11 that service expenditure was projected to exceed the budget by £10.392 million which would require the use of £6.755 million of General Fund reserves to balance the budget. The 2022/23 outturn reported the forecast balance of General Fund reserves at £10.213 million and the Section 25 report considered as part of the 2024/25 budget expected the General Fund reserves position to fall below £4 million at the end of 2023/24.
2. You have informed us that current year (2024/25) financial monitoring projects an overspend of £6.293 million in 2024/25. There continues to be a large overspend in relation to Adult Social Care which is currently provided through Optalis, your jointly-owned company with Wokingham Borough Council. Service overspending in Adults Services was significant in 2022/23 due, in the main, to rising demand and costs, but underspending elsewhere compensated for this. The 2023/24 financial monitoring report in April 2024 projected a £7.038 million overspend in Adults and Health. Both Optalis and Achieving for Children (AIC) provide statutory services for the Council which are subject to demographic and market pressures and the Council's contractual relationship with both of these companies should have been set up and maintained on an appropriate and clearly understood approach to sharing risk. The Council's base budget for Adults Services does not reflect the current level of demand and contractual arrangements and as a consequence, the overspending is being perpetuated. There is therefore a risk that the Council will not be able to recover the position in 2024/25. Furthermore, the Council has not previously been able to demonstrate that it can successfully achieve this level of in-year savings.
3. The Council has not produced a full bank reconciliation since March 2021. This fundamentally undermines the integrity of both external and internal financial reporting and the financial information on which decisions are made. Ongoing work to reconcile differences has the potential to further detrimentally impact on the Council's financial position. Specifically, potential errors have been identified in the amount of income attributed to national non-domestic rates in 2022/23 and 2023/24. You have also informed us of errors in debt control processes relating to adult social care invoices which were not paid.
4. External financial reporting and the timely audit of the financial statements is integral to ensuring the Council is accountable for its stewardship of public funds. The Council's 2020/21 financial statement were not signed off by our predecessors until April 2024. The 2020/21 opinion included a limitation of scope in respect of the collection fund in respect of business rates. The 2021/22 and 2022/23 financial statements remain unaudited. Historic capacity issues within the finance team combined with the ongoing bank reconciliation issues mean that at the time of drafting this letter the 2023/24 financial statement have not been produced and presented for audit, the national deadline for their production being 31 May 2024. The inability of the Council to produce complete, accurate and timely financial statements and subsequently complete the audit raises significant concerns over the governance arrangements at the Council and undermines the ability of decision makers to have confidence that decisions are being taken based on a true financial position.
5. We have identified concerns about the governance, efficiency and effectiveness of the Council's wholly-owned property company which is currently the subject of an external review. The company provides services to the Council which include carrying out valuations, asset management, acquisitions and disposals. The company also plays a critical role in bringing forward the development of a golf course owned by the Council which represents a potential future capital receipt originally estimated at £200 million. The Council's borrowing decisions in recent years have been taken in the context of realizing this capital receipt and the possibility of achieving a lower value because of suggestions that a lower density of development should be pursued represents a significant risk to the Council's future financial sustainability as a consequence of its high level of debt.
6. You have shared with us concerns about the historic impact of eight years of council tax cuts and freezes which have significantly eroded the Council's income levels in comparison with similar authorities. The consequence of this has been felt most significantly in the staffing resource available to ensure that the Council is administered professionally and effectively. We have noted that there are significant gaps in the Council's capacity and these are exemplified by current vacancy levels within the finance team and insufficient capacity in dealing with legal and procurement issues. These gaps in capacity are impacting on your ability to complete the work to identify errors and take appropriate action.
7. The Council is now in a position where it is dependent on securing EFS from Government in order to provide the resources and time required to i) dispose of capital assets to underpin the Council's financial position in the short term ii) continue to deliver budgeted savings iii) implement a transformation strategy which successfully reduces costs and brings the Council's service expenditure back within budget iv) secure the capacity it needs to ensure the Council is effectively managed, particularly in respect of finance and other core functions. Delivery of the

Appendix C: Letter of Concern

transformation programme and building essential capacity in the organization will require investment of resources in the short-term. Asset sales will also have an impact on the Council's short-term financial position through loss of income.

These initial findings set out an extremely challenging situation, particularly because of the low level of reserves available and the risk that the Council's reserves will be fully depleted.

Next Steps

Whilst we are yet to conclude our 2023/24 VFM work and reach our final judgements, the concerns raised above will result in our reporting a number of significant weaknesses in arrangements. Our initial reporting timeline was a draft VFM report by the end of September 2024. We will now await the outcome of the other ongoing reviews referred to above and reflect on what, if any, additional work may be necessary to conclude our VFM judgements for 2023/24. Should any additional work be required we will first discuss this with the S151 Officer and agree a revised timetable taking into account our obligation to report in a timely way.

We recognise that the Council is aware of its situation and is in discussions with Government about EFS which, if secured, would help to address the financial risks that it faces. We also acknowledge that action is being taken across all the areas set out above and that external support is being utilised as part of this process.

Specifically, the Council has proactively sought independent advice and support from CIPFA. The Council is also considering utilizing consultants to assist with the underlying rising costs in adult social care that would involve significant up-front costs but ultimately will generate significant revenue savings. Once again this will put further pressure on the already depleted levels of reserves and balances.

We are also mindful that the recent General Election has also resulted in some uncertainty about the timescales in which a resolution to your request for EFS can be found.

The Council should continue to act with urgency to put in place a credible recovery plan, recognizing that sufficient capacity within its finance function is an essential requirement which needs immediate attention. The Council's Statutory Officers should also continue to give careful consideration to the duties the law places on them.

We request that this letter is shared with all members at the earliest opportunity. This letter, and management's response, should also be included within the September 2024 Audit and Governance Committee's papers.

Yours sincerely



Peter Barber, Engagement Lead
For Grant Thornton UK LLP

cc Elizabeth Griffiths – Section 151 Officer

