



Auditor's Annual Report for Reading Borough Council

Year-ended 31 March 2025

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27 November 2025

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Our audit report is made solely to the members of Reading Borough Council ('the Council'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary



Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Reading Borough Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:



Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').



Other information - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



Other powers - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements	The Code of Audit Practice requires us to issue the Auditor's Annual Report no later than 30 November of each year. In order for us to comply with this requirement, we have issued this Auditor's Annual Report prior to the completion of our work in relation to the financial statements and other information. Consequently, we have not reached our conclusions in respect of these areas and will report our results to the next Committee.
Other information	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Council.
Value for money	We identified significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 7.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet concluded its audit of the Whole of Government Accounts for the 31 March 2025 financial year, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf.

Executive Summary



There are several actions we can take as part of our wider powers under the Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

As at the date of this report, we have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

As at the date of this report, we have not applied to the courts.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

As at the date of this report, we made recommendations under Schedule 7 of the Act (see page 18).

As at the date of this report, we have not raised any other recommendations.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

As at the date of this report, we have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Value for Money

Value for Money

Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



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



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services



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

We do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a risk of significant weakness is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is substantially complete. WE will update this report when our work is fully complete.

	Financial sustainability	Improving economy, efficiency and effectiveness	Governance
Commentary page reference	9	13	16
2023-24 Findings	No significant risks identified	No significant risks identified	No significant risks identified
Identified risk of significant weakness at planning stage?	✓ Yes	✓ Yes	✗ No
Significant weakness identified after fieldwork?	✗ No	✗ No	✓ Yes
Direction of travel	↗	↗	↗



Value for Money

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to Reading Council.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). Government guidance is awaited on childrens services reform and SEND, and some authorities are delaying transformation programmes until there is clarity on how services should evolve.

An accounting override exists meaning Councils do not need to recognise schools deficits as part of their reserves which, for some, avoids Councils becoming insolvent. This override was extended to March 2028. However, some have raised concerns that this extension only defers the problem, and the underlying unsustainability of education expenditure has not been resolved.

Local context

The Council is not unique among unitary authorities: the vast majority are using reserves to manage budgets and enacting large scale savings plans to balance Medium Term Financial Plans going forward.

Reading’s revenue budget for the year saw an overspend of £9.3 million (not including the DSG-linked overspend). An overspend of this size has a significant impact on the level of reserves and Reading will struggle to absorb this level of overspend if it continues through the next financial year.

Although the Council has reserves to cover this in the audited year, the Financial Resilience Reserve held for budget stabilisation has a total balance of £10.1 million at the year end, illustrating the size of the risk if overspends continue.

The Authority’s own risk management and financial reporting is clear that up to £16.2 million of savings will be required over the next three years in order to maintain this position.

We also note that the Dedicated Schools Grant position at the Council is growing in deficit. Whilst a national issue with the growth of individuals on Education Health Care Plans (EHCP), Reading have a number of capital projects and implemented governance recommendations to reduce the growth in size of the annual deficit, but it remains a risk for the entity as well.

The Council bringing back Brighter Futures for Children in house will give the Council greater visibility and control over the quality of children’s services and relevant spend.



Financial Sustainability



How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Conclusion on financial sustainability

Our risk assessment procedures identified a risk of significant weakness in the area of financial sustainability. We noted the 2024/25 outturn was an adverse variance of £9.3m to budget. As larger budget deficits can be indicative of weaknesses in arrangement around financial sustainability, we focussed on this area for more focus.

As our response to the risk identified above we performed additional procedures at year end. We have completed additional procedures and have concluded that no significant weakness identified. See page 12 for audit assessment and findings.

Delivery of the financial plan and position on reserves

The Council set a balanced budget for the 24/25 financial year, recognising in the Medium Term Financial Plan that savings were required in order to achieve this, with total assumed savings in the budget of £8.5 million. The 2024/25 Quarter 4 Performance Report states that that 73% of the total identified savings were achieved, however there is an adverse net variance of £9.3 million.

The primary drivers for the adverse variance to budget to date were due to Adult Social Care (net pressure of £3.8 million) and Children's Social Care of £6.4 million. This is consistent with the Council's internal reporting and risk register, as well as identified pressure points in the previous financial year. The Council has reserves from which it can draw down and intends to fund the deficit through use of the Demographic & Cost Led Pressures Reserve of £5 million and the Financial Resilience Reserve of £4.3 million. This leaves a balance of £10.7 million in the financial resilience reserve and removes the Demographic & Cost Led Pressures Reserve or reserve.

This means total reserves have dropped from £66 million in 23/24 to £49 million, which includes some reserves that are not transferrable for deficit funding. A similar deficit in the next financial year could utilise the Financial Resilience Reserve in full.

We have considered the budget deficit on page 11 as part of our work over the risk identified at planning.

The reduction in reserves during the year has increased the underlying risk and this was noted in the below extract from the CIPFA Resilience Index 2023-24 and other benchmarking (discussed in the *Improving Economy, Efficiency and Effectiveness* section). The 2024-25 position will not be released before audited accounts, but we expect the position to worsen.



Source: CIPFA Resilience Index 2023-24

Financial Sustainability



How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Approval of Financial Plans

Guidance is issued (in line with practice noted in the previous year) by Finance to Assistant Directors on an annual basis, typically shortly after the previous financial year end. This includes guidance for Budget Managers to propose a budget with efficiencies, supported by Finance Business Partners. Business cases are reviewed and challenged by the Corporate Management Team (CMT) and are then taken through a Lead Member group challenge process.

Supported business cases are included within the MTFS reporting package and scrutinised at the Policy Committee. Following the finalisation of proposals, a final budget is produced and approved through the Policy Committee and up to full Council. KPMG have reviewed documentation and Committee minutes confirming appropriate consideration and challenge of proposals. The 2024/25 Budget & Medium-Term Financial Strategy 2024/25-2026/7 was approved by Council on 27 February 2024.

The Council's plans for 25/26 include an increase in Council Tax (2.99%) and Adult Social Care Precept (2%) and this together with an increase in the Band D equivalent taxbase equates to £7.3 million additional income, but note the budget also requires £7 million of savings and a reserves drawdown of £3.9 million to achieve a balanced budget. We reviewed these plans as part of our concluding report.

Monitoring of Financial results

All approved savings proposals generate a monthly savings tracker that is reported monthly as part of the budget monitoring process and included within the Quarterly Performance and Monitoring Report, reported through the Policy Committee. The Corporate Management Team also have a monthly meeting dedicated to performance, which we have also reviewed and judged the budgetary process to have an appropriate level of scrutiny, comparable with similar authorities of this size.

Internal audit have provided 'Reasonable Assurance' over the Council's core financial systems, which is the first report on the new financial ledger, as noted through the quarterly update provided to the 21 January 2025 Audit & Governance Committee.

Financial Sustainability

Dedicated Schools Grant

The government has in place a statutory override which has allowed Councils to exclude Dedicated Schools Grant deficits from their main revenue budgets, allowing Council's to account separately for this in an unusable reserve. The current override has been extended to 31 March 2028, after which there is lack of clarity over extension or reform of the High Needs Block. Councils building large deficits would face significant financial instability if the override was removed. Reading's in year DSG deficit was £15.5 million.

We acknowledge this is a risk to the Council, particularly if the current measures are ended. However, given this is applicable nationally to most Councils providing educational services and that Reading have identified the risk and put mitigations in place, this doesn't in itself constitute a weakness in arrangements for the current financial year.

Forward look

The latest Performance and Monitoring Report was taken to the Policy Committee in September 2025, which reported the position as at the end of Q1. This shows an overspend of approximately £4.2 million. This is summarised as a gross variance of £12.6 million (£4.1 million in Adult Social Care and £6 million in Children's Services), offset by £5.3 million of recovery plan mitigations. The Council expects to achieve 66% of the savings identified in the budgeting process, with 16% non-deliverable and 18% at risk of delivery. Both elements will likely contribute to a further challenging overspend by the year end.

The DSG position anticipates a deficit of £40.4 million by the end of the financial year to 31 March 2026 and £53.2 million the following year, should the underlying issues not be addressed.

Key financial and performance metrics:	2024-25 (£'000)	2023-24 (£'000)
Planned surplus/(deficit), excluding HRA	Balanced	Balanced
Actual surplus/(deficit), excluding HRA	(9,305)	(6,099)
General Fund balance	8,905	8,394
Cumulative DSG deficit	24,903	9,404
Year-end borrowings	200,145	187,889
Year-end cash position	33,901	24,169



Risk of significant weakness



Budget deficit 2024/25

Risk that value for money arrangements may contain a significant weakness linked to Financial Sustainability

Significant Value for Money Risk

The 2024/25 outturn suggests a £9.3 million adverse variance to Budget. Large budget deficits can be an indication of weakness in arrangements around financial sustainability.

Our response

We performed the following procedures:

1. Consider the Council's arrangements and structures to monitor and deliver a balanced budget;
2. Understand the process for identifying savings and other available levers to the Council;
3. Review recent budget monitoring and performance throughout the period to date; and
4. Conduct interviews with senior management to understand the feasibility of on-going recovery plans and measures to support financial sustainability.

Our findings

Findings

The Council set a balanced budget for the 24/25 financial year with total assumed savings in the budget of £8.5 million. As at end of 24/25, 73% of the total identified savings were achieved with an adverse net variance of £9.3 million. DSG deficit was £24.9m which is lower than the estimate of £26.5m per 24/25 MTFS. This gives us assurance that management recognised the scale of DSG appropriately. At 31/3/25 the Council has total general fund reserves of £49m.

The 2025/26 budget is balanced by an overall £3.9m assumed draw down on earmarked reserves. We inspected the latest report taken to the Policy Committee in September 2025, which reported an overspend of approximately £4.2 million. Whilst the financial position is in financial pressure the Council does acknowledge the risk and has identified financial pressures as a significant risk, which drives regularly performance monitoring.

The Council is also looking for savings to bring the deficit under control and is regularly monitoring the position.

The situation with RBC is not unique and many other authorities are in a similar financial position. We recognised the financial pressure as significant risk over the financial sustainability but do not consider this is a significant weakness as this risk is acknowledged and monitored by the Council with clear action plan to bridge the gap.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

Improving economy, efficiency and effectiveness



How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Conclusion on arrangements for improving economy, efficiency and effectiveness

Our risk assessment procedures identified a risk of significant weakness in the area of improving economy, efficiency and effectiveness. This is due to the procedures performed during our risk assessment identifying the Council to have appropriate and effective processes in place.

Assessing Value for Money and Opportunities for Improvement

The Council had a target of £7.5 million regarding cost savings for the financial year 2024/25. In the Savings and Recovery Tracker, reported within the Quarter Performance Report (Policy Committee, July 2025), £5.5 million were delivered by 31 March 2025. This compares to £5.3 million savings planned in 2023/24 of which the Council achieved £4.2 million.

Cost saving performance is part of the regular reporting to the Council and Corporate Management Team, which allows the Council to assess the level of value for money being achieved. The Policy Committee also provide additional oversight and budgets are reviewed and managed on a regular quarterly basis through key performance indicators reported, with any expected significant variances escalated.

Monitoring of Performance of Services

Performance reporting and monitoring of efficiency plans has not changed significantly since our previous report, with reporting lines and documentation in line with other similar local authorities. We have reviewed the in-depth reporting. The Audit & Governance Committee review the Strategic Risk Register quarterly and Council also have oversight of the position annually through the Budget and the associated Chief Finance Officer's Report on the Robustness of the Council Budget.

The Corporate Plan also includes performance measures, key projects and initiatives and other non-financial metrics which also are reported to the Policy Committee as part of the Quarterly Performance and Monitoring Report. All collated information is subject to initial scrutiny by the CMT.

Improving economy, efficiency and effectiveness



How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Benchmarking

The Council operate limited benchmarking activities on a case by case basis and review national benchmarking performed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA). We will explore this area further as part of our overall conclusion.

We have reviewed the CIPFA outputs for the Council. Current benchmarking on the CIPFA Financial Resilience Index is based on 2023-24 data, however we expect the inputs to be similar for 2024/25 and its indicators of financial stress suggest the authority is generally lower-medium risk compared to its Nearest Neighbours and other Unitary Authorities. The Council's 'Level of Reserves' metric has deteriorated per the Index and is no longer considered 'Lower Risk'.

View from the regulators

The Council is subject to a number of inspections by the regulator. The latest Children's services inspection from Ofsted was received on 22 April 2024, however picks up a theme of a number of years, whereby the Children's services are assessed as 'Requires improvement to be good'. Our investigation into this matter in 23/24 showed evidence of improvement in this area and we concluded it was not a significant weakness.

However, a 'joint area child protection inspection' was carried out by Ofsted and partner organisations in March 2025, which states significant weaknesses were identified in the multi-agency approach to prevention, help and support for children and their families who are victims of domestic abuse in Reading.

Additionally, a recent judgment by the Regulator of Social Housing released in April 2025, rated Reading's services as C3, which suggests 'serious failings' and 'significant improvement' is needed.

Since our risk assessment, there has also been a report issued by the CQC with a status of 'Requires Improvement'. We have considered the arrangements in place regarding the issues identified within our significant risk area overleaf.

Risk of significant weakness

2

Regulator reporting identified weaknesses

Risk that value for money arrangements may contain a significant weakness linked to Economy, Efficiency and Effectiveness

Significant Value for Money Risk

The recent challenging reporting from Ofsted and the Regulator of Social Housing indicates that there is a risk that the Council does not have in place adequate arrangements to achieve economy, efficiency and effectiveness of services in the period.

Our response

We performed the following procedures:

1. Consider the recent reports and receive and evaluate other 24/25 reports when they are able to be provided;
2. Investigate and challenge management as to the drivers behind the reports and arrangements currently in place; and
3. Understand management's response to the reports, the action plan and future proposed arrangements.

Our findings

Findings

A Joint Targeted Area Inspection (JTAI) significant weaknesses in the multi-agency approach to prevention, help and support for children and their families who are victims of domestic abuse in Reading.

We have inspected the papers and progress report taken to Audit Social Care, Children's Services and Education Committee and confirmed an action plan is in place and progress is closely monitored following the publication of the inspection report in May. We do not consider this is a significant weakness in improving economy, efficiency and effectiveness as the Council has a detailed plan in place and monitor the implementation of action plan on a regular basis.

However, we consider this as a significant weakness in governance because no evidence of the Council identifying and attempting to mitigate risks in advance of the report. Hence, we considered this is an indication of lack scrutiny and consider it as significant weakness in governance.

We inspected the reports from the Regulators of Social Housing where a C3 rating was given due to the concerns regarding areas such as health and safety and transparency.

Following our inspection of reports taken to the Housing, Neighbourhoods and Leisure Committee we concluded that although there were weaknesses identified in the inspection, RBC had already identified the majority of the issues and had active action plans in place at the time of the visit. Delivery against these action plans has been monitored at each committee.

We also inspected the CQC inspection report regarding adult social care and the council's risk register. We confirmed that the Council have identified and attempted to mitigate the risk in advance of the report.

Conclusion

We do not consider there is a significant weakness in improving economy, efficiency and effectiveness as we have seen action plans the council have in place and evidence for monitoring the implementation of action plans.

However, we have determined that there is a significant weakness in governance as we do not see evidence of the Council identifying and attempting to mitigating risks in advance of the JTAI report.



Governance



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

We have considered the following in our work:

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

Conclusion on governance arrangements

We did not identify a risk of significant weakness relating to governance during our initial risk assessment phase.

However, we updated this risk assessment in light of reports subsequently received from key regulators:

- A report from Ofsted and the Joint Targeted Area Inspection (JTAI) was issued on 6 May 2025. This was an inspection of the Brighter Futures partnership, carried out by inspectors from Ofsted, the Care Quality Commission (CQC), His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and His Majesty's Inspectorate of Probation (HMIP). An improvement notice was issued on 31 July 2025, and a DfE Improvement Advisor was appointed to oversee progress against the highlighted areas for improvement
- The regulator of social housing issued a regulatory judgement on 30 April 2025 resulting in a C3 grading. The report highlighted serious failings in delivery of the outcomes of the consumer standards.
- The Care Quality Commission issued its Local Authority Assessment on 10 October 2025 which gave a 'requires improvement' grading.

We have reviewed these reports and discussed the findings and Action Plans with key Council Executives. Our work is considered on page 15. We have concluded that there is a weakness in underlying governance in the financial year, as, although some of the issues highlighted in the reports were known and being managed, many were not. We have therefore made a recommendation regarding a review of the underlying risk management and escalation arrangements.

Approach to identifying, monitoring and management of risk

The Council's guiding governance document is the Constitution. This is built on with the Council's risk management policy and procedure, which further formalises the risk management structures within the authority and cements its approach to risk assessment.

There are five levels of risk register operated within the Council, the highest being the Strategic Risk Register. A 5 x 5 scoring matrix is used by the Council to score risks on the Strategic Risk Register (Impact x Likelihood). The Strategic Risk Register has 11 risks identified, the mostly highly rated include: inability to deliver a balanced budget, SEND provision, climate mitigation, cyber risk and safeguarding of vulnerable adults and children. Our review of the risk register found that this was sufficiently detailed to effectively manage key risks and we identified evidence of review within the Audit & Governance Committee throughout the year.

Given the recent Ofsted report referenced later in the report, it is positive that the Council had already recognised this on the Risk Register. The risk had reduced since Q4 23/24 from 16 to 9, however since the recent inspection the risk has moved back to 16, recognising the outcome and need to deliver the improvement plan. There were actions in place before the report was issued in order to continue to reduce the risk.

Governance



Fraud, Laws and Regulation and Officer compliance

The effectiveness of internal controls is monitored by the Audit & Governance Committee, through reporting from Internal Audit and Counter Fraud. The programme of work for each organisation is approved at the start of the financial year by the Audit & Governance Committee, following input by the CMT. Any recommendations raised by Internal Audit or the Counter Fraud teams are reported to the Audit & Governance Committee. Our review of the Audit & Governance Committee papers confirmed that there were appropriate discussions and follow up of recommendations for both Internal Audit and Counter Fraud.

The Council retains a suite of policies (in line with other comparable local authorities), which clearly outline the expected behaviour of Councillors and officers in relation to areas such as Staff and Councillor Codes of Conduct and Members' Allowances. Specific guidance is in place for teams and managers via standards of behaviour for these roles. Overall compliance with legislation, laws & regulations are monitored by management. The authority has a dedicated Whistleblowing email and includes guidance on conflicts of interest and gifts & hospitality in the Code of Conduct.

Internal audit

We noted in the Annual Assurance report from Internal Audit that the majority of the reports issued in year have reasonable assurance. There are three reports with limited assurance, which found evidence of improvements required to controls around Residents Parking Enforcement, Commercial Properties (rent roll) and Supporting Living tendering. Whilst important to consider, we do not think that these reports alone amount to a significant weakness in overall governance.

View from the regulators

The Council is subject to a number of regular inspections by the regulator. We have considered the outcomes of these reports in economy, efficiency and effectiveness and concluded that there is a significant weakness in governance in the financial year, due to some of the issue identified in the report pertaining to Brighter Futures for Children having not been identified by the council prior to the inspection.

	2024-25	2023-24
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Reasonable Assurance	Limited Assurance
Ofsted rating	Children's Services - Requires improvement	Children's Services - Requires Improvement
Care Quality Commission rating	Requires improvement	No overall rating – individual services rated as 'Good'

Value for Money: Recommendations



The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Issue A Joint Targeted Area Inspection identified significant weaknesses in the multi-agency approach to prevention, help and support for children and their families who are victims of domestic abuse in Reading. While we appreciate that some of the issues identified were known by the Council and were being worked upon by the Council, some of them were not which raises questions regarding the underlying risk management arrangements and escalation of risk. We note that RBC have responded well to the findings of the report, and a detailed action plan is in place to respond to the failings and this is being effectively monitored. Impact A lack of effective oversight may lead to the council failing to deliver services efficiently. This could also expose the council to increased financial pressures and result in significant legal or reputational consequences. Recommendation We recommend that the council: • continue to implement the agreed action plan and closely monitor progress against the plan; • Revisit their risk management arrangements in light of the report to understand how these issues were not highlighted, risk assessed and escalated sooner and in advance of the report being issued • Use the findings from this review to look across to other services across the Council that may have similar failings that are continuing without the appropriate scrutiny or support	The multi-agency focus on safeguarding as reviewed through the JTAI inspection includes a number of formal reporting channels where issues can be escalated and shared. This, together with the actions already in place following the inspection will be reviewed to ensure any underlying risk trends can be identified early, reported to Lead Safeguarding Partners and management action taken accordingly. Officer Responsible: Director of Children's Services Due Date: 31/3/26

Value for Money: Recommendations



Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of October 2025
1	Issue As part of the financial statements audit and internal audit's annual assurance report, deficiencies were found in the Employee Gifts & Hospitality and Declarations of Interest register. Impact The Council may be vulnerable to conflicts of interest. There is a risk of undue influence over decisions where undeclared interests, gifts or hospitality are not identified. This also exposes the Council to accusations of undue influence, where decisions are made without these considerations, regardless of whether this has or has not been exercised. Recommendation The Council should apply a more rigorous approach to declarations of interests and gifts & hospitality, with centralised and regularly updated/reviewed registers. To ensure these are kept up-to-date, these could be tracked through the Audit and Governance Committee.	The Council will review and improve the arrangements for managing Employee Gifts & Hospitality and the Declarations of Interest register. Progress on implementing audit findings will continue to be included in regular performance reports to the Audit and Governance Committee. Officer: Monitoring Officer Due Date: 31/3/25	The Council has updated its Gifts and Hospitality Policy which is available on the Council's intranet site. New processes are in place and communicated to all staff. We have obtained the recent internal audit report which suggests inconsistency still remains. Hence we keep this recommendation open.
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