

Notice of Meeting

Governance and Ethics Committee

Monday, 5th September, 2016 at 5.00 pm
in Committee Room 1 Council Offices
Market Street Newbury

Date of despatch of Agenda: Thursday, 25th August 2016

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Andy Day/Moira Fraser/Stephen Chard on (01635) 519459/519045/519462

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Agenda - Governance and Ethics Committee to be held on Monday, 5 September 2016
(continued)

To: Councillors Steve Ardagh-Walter, Jeff Beck (Vice-Chairman), Chris Bridges, Graham Bridgman, James Cole, Barry Dickens, Lee Dillon, Rick Jones (Chairman), Anthony Pick and Quentin Webb

Substitutes: Councillors Billy Drummond, Sheila Ellison and Tim Metcalfe

Agenda

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2	Election of Chairman To elect a Chairman for the remainder of the 2016/17 Municipal Year.	
3	Minutes To approve as a correct record the Minutes of the meeting of this Committee held on 25 April 2016 and 19 May 2016.	1 - 10
4	Declarations of Interest To remind Members of the need to record the existence and nature of any Personal, Disclosable Pecuniary or other interests in items on the agenda, in accordance with Members' Code of Conduct .	
5	Forward Plan <i>Purpose: To consider the Forward Plan for the next 12 months.</i>	11 - 14
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Andy Day
Head of Strategic Support

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Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

GOVERNANCE AND ETHICS COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 25 APRIL 2016

Councillors Present: Jeff Beck (Vice-Chairman), Graham Bridgman, James Cole, Lee Dillon, Rick Jones, Anthony Pick and Quentin Webb (Chairman)

Also Present: Lesley Flannigan (Finance Manager: Financial Reporting), Julie Gillhespey (Audit Manager), David Holling (Head of Legal Services), Ian Priestley (Chief Internal Auditor) and Andy Walker (Head of Finance), Moira Fraser (Democratic and Electoral Services Manager) and Ian Pennington (KPMG)

Apologies for inability to attend the meeting: Councillor Steve Ardagh-Walter, Chris Bridges and Barry Dickens

PART I

39 Minutes

The Minutes of the ordinary meeting held on 08 February 2016 and the minutes of the special meetings of this Committee held on the 08 February 2016, 17 February 2016, 22 February 2016 and 14 March 2016 were approved as a true and correct record and signed by the Chairman subject to the inclusion of the following amendments:

**Ordinary Meeting 08 February 2016, Item 26 (Internal Audit- Interim Report 2015-16)
Page 7, final paragraph –**

In the first sentence replace the word 'were' with 'where'.

Special Meeting 14 March 2016 – Councillor Graham Bridgman requested that in future the minutes of these 'hearing meetings' be formatted in a similar style to planning minutes.

He also requested that **the third paragraph on page 25** of these minutes be amended as follows: 'Councillor Graham Bridgman asked Councillor Lewis whether, if he had sent out by mistake a draft of a letter that libelled someone, and had not realised that error for a number of months, he would accept that he would nevertheless have committed a libel?'

40 Declarations of Interest

There were no declarations of interest received.

41 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4). An update on the work of the Risk Management Group by Councillor James Cole would be added to the November 2016 agenda.

RESOLVED that the Governance and Ethics Committee Forward Plan be noted.

42 Governance and Ethics Committee (Annual Report 2015/16) (C3034)

The Committee considered the Annual Report (Agenda Item 5) of the Governance and Ethics Committee.

David Holling in introducing the report noted that:

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- There had been a significant increase in the number of complaints received in 2015/16. Twenty six complaints were received in total compared to nine in 2014/15. Sixteen of these complaints pertained to District Councillors and ten to Parish or Town Councillors. However, as a large number of these complaints pertained to events that transpired at an Area and subsequent District Planning Committee and were dealt with expediently he was not overly concerned.
- Following the Initial Assessment of these complaints no further action was taken on twenty two of them, a local resolution was sought in two cases, one was withdrawn and one was investigated.
- Two investigations were concluded in 2015/16 (one pertained to a case from 2014/15) and the cost of these external investigations amounted to £12,789.00. The cost of these external investigations and a lack of internal resources could lead to a budget pressure should the trend continue.
- Both investigations pertained to Parish Councillors and it was not possible to recover these costs from the authorities concerned.
- All new Members and a significant number of new Parish and Town Councillors had attended Code of Conduct training which was encouraging.
- The Independent Persons continued to fulfil a very useful function as regards the ethical framework and had contributed a good deal of outside knowledge and common sense to the decision making process and he thanked them for their input.

Councillor Anthony Pick noted that the two complaints that had been investigated had arisen due to personal differences between parish councillors. He therefore asked that every effort be made to ensure that parish councillors resolved their conflicts without resorting to the 'Standards regime'. Dealing with these complaints used up valuable Councillor time. David Holling reassured him that he spent a lot of time speaking with parishes to try and resolve their issues without resorting to the complaints procedure. Councillor Webb acknowledged Councillor Pick's point but noted that where complaints were submitted due process had to be followed.

Councillor Lee Dillon noted that of the three dispensations considered by the Governance and Ethics Committee two were considered via virtual meetings and one at a special meeting. He felt that it was likely that greater consistency would arise if all meetings were held in situ. It was agreed that Officers would remind Members of the need to apply for a dispensation in December 2016 and that if at all possible all the dispensations would be discussed at the February 2017 Committee meeting. If necessary a special meeting would be held to take cognisance of the fact that Members might not be aware of the need for a dispensation until the Executive paperwork was published.

Councillor Bridgman requested that the following typographical errors be corrected:

- Page 37 item 13 – remove the stray bracket
- Page 38 item 21 should refer to (15) to (20) and not (15) to (21)
- Page 44, paragraph 11.2 ensure the wording reflected the current wording in the Constitution.

Councillor Rick Jones noted that a number of the complaints pertaining to parish councils were based on a breakdown in relationships and he requested that this issue be focussed on in future training sessions for the parish councillors.

RESOLVED that:

A recommendation be made to Council that the report be noted and circulated to all Parish and Town Councillors in the District for information subject to the inclusion of the amendments requested at this meeting.

43 External Audit Plan 2015-16 (GE3008a)

Ian Pennington introduced the report which set out the external audit plan from KPMG for 2015/16. Mr Pennington noted the document set out the timelines and procedures associated with the summer audit of the Council's accounts which would be reported to the Committee in the autumn of 2016.

The report asked Members to note the attached plan and the two key objectives within the plan to audit/review and report on:

- (1) The Financial Statements including the Annual Governance Statement, providing an opinion on the accounts.
- (2) The use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources.

Mr Pennington explained that the materiality, or financial amount the auditors were willing to risk, had been set at £6m for the Council. This sum was based on the Council's budget of £350m and the estimated value of assets being circa £400m. The auditors would undertake sampling in order to test the validity of the accounts. They were obliged to report uncorrected omissions or misstatements, other than those that were clearly trivial, to the Governance and Ethics Committee. During the previous year Officers had accepted all the changes and therefore nothing needed to be reported to the Committee.

The auditors had not identified any significant risks other than that required by auditing standards namely management override of controls. This would involve looking at areas that could be exploited by management including journals, estimates and any significant transactions. Historically there had not been issues at this Council.

The other areas the audit would focus on were:

- Valuation of property, plant and equipment;
- Pension assets and liabilities.

The second area of work that the auditors would undertake centred on the Council's value for money arrangements. The risk assessment undertaken by the auditors had identified two value for money significant risks:

- Financial resilience
- Better Care Fund/ Care Act eligibility.

Mr Pennington noted that this was the third audit of West Berkshire Council that he had been involved in. He would be heading up a new audit team and he hoped that this might provide a fresh perspective. The fee for 2015/16 was around £25k lower than the previous year.

Councillor Rick Jones noted that the internal audit report would also be looking into the Better Care Fund and Care Act eligibility and he wondered how the two audits would relate to each other. Mr Pennington noted that KPMG would look at the internal audit report to ensure that all the questions they needed to cover had been addressed.

Councillor Jones also noted that Children's Services had been subjected to an Ofsted Inspection and a lot of internal scrutiny and wanted to ensure that KPMG would not be duplicating work that had already been done. Mr Pennington noted that they were aware that there was an existing action plan to address deficiencies. The external auditors

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would be checking to see if the problems had been identified and that work was being undertaken to rectify the issues.

Councillor Lee Dillon noted that journal entries and estimates were potentially areas that could be exploited by managers overriding the controls and he wondered if contract values would be considered alongside this work. Mr Pennington noted that deliberately over paying a contract would constitute fraud. The auditors would look at the processes underpinning this area of work and would seek reassurance, for example the use of external valuers. During the previous audit an extra piece of work on Procurement had been undertaken. One issue had been identified and had been reported to the Committee in September 2015.

Councillor Anthony Pick asked if the audit would be used to identify areas where savings could be made by the Council. Mr Pennington noted that the role of external audit was not to identify areas where savings could be made although clearly if they came across any savings that could be made they would point them out. The value for money aspect of the audit was designed to look at the processes employed by the Council and was not designed to deliver value for money.

Councillor Quentin Webb asked how many transactions would be tested. Mr Pennington stated that it was difficult to say but reiterated that they would be focussing on processes and that various testing methods would be employed.

Councillor Webb noted that the Better Care Fund involved partner organisations and he therefore queried how much auditing could be undertaken. Mr Pennington explained that they would focus on the Council's arrangements but that they could speak to the Clinical Commissioning Groups to establish if the Council was a good partner from their perspective.

Mr Pennington explained that it was anticipated that the Council's accounts would be completed by the end of May 2016, the audit would take place during June and July and a report would be brought back to the 22 August 2016 Governance and Ethics meeting.

RESOLVED that the plan and the two key objectives within the plan to audit/ review and report on be noted.

44 Internal Audit - Work Plan 2016-19 (GE3008)

The Committee considered a report (Agenda Item 7) which set out the proposed plan of work for internal audit over the next three years and outlined the method used to compile the plan, which was based around risk. The purpose of this report was to set out a risk based plan of work for Internal Audit that would provide assurance to the Governance and Ethics Committee on the operation of the Council's internal control framework and which would support the Committee's review of the Annual Governance Statement.

Ian Priestley highlighted the fact that there were a number of changes to the priorities of the team which had been made in response to the reduced level of resource available to the team as follows.

- (1) The audits of the "Key Financial Systems", in Customer Services and Finance, used to be carried out annually, partly because of the scale and materiality of them and partly as the Council's external auditor relied on the work Internal Audit did on these systems. However, the external auditor no longer required these systems to be audited annually, and so they had been moved over to a cyclical basis.
- (2) In the past all audits were subject to a follow up audit to measure the extent to which agreed recommendations had been implemented. In future only audits with weak or very weak opinions would always be followed up. Audits with a satisfactory

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opinion might be followed up if, in the opinion of internal audit or management, the weaknesses identified by the audit warranted a follow up.

- (3) The frequency and depth of audits of schools would be reduced. Over recent years the Finance Service – Schools Accountancy Team - had delivered very effective training and support to schools, that was paid for by schools, and that would compensate for the reduced audit coverage.

The Public Sector Internal Audit Standards provided the following definition of Internal Audit:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Internal Audit was there to help Services deliver the Council Strategy by identifying and helping to mitigate weaknesses in service delivery systems and procedures, whilst staying within the statutory framework that governed local authorities. The objectives for Internal Audit were set out in the Audit Charter which formed an appendix to the Terms of Reference of this Committee.

The work programme for Internal Audit for the period 2016-19 was attached at Appendix B. The plan analysed the different areas of Council activity that Internal Audit felt required auditing. The work programme was based on levels of risk. The risk registers were used to inform the level of risk where appropriate and this was supplemented by an audit view of risk.

The work of Internal Audit formed the basis of the opinion given by the Chief Internal Auditor on the Council's internal control framework. The work of Internal Audit was regulated by the Public Sector Internal Audit Standards. This set out the standards and methods that should be applied in doing the work. At an operational level Internal Audit had a procedure manual that explained in detail how work was delivered. In addition an Audit Protocol was published to all Heads of Service setting out how the service operated.

The work produced by Internal Audit was designed to identify and remedy weaknesses in the internal control framework. Weaknesses that were identified were categorised according to their severity (fundamental, significant, moderate and minor).

Taken together, the above provided a sound basis for the Chief Internal Auditor to provide an annual opinion of the internal control framework of the Council.

The Chief Internal Auditor now had the support of 4 Full Time Equivalent (FTE) staff and the service was provided entirely through in-house provision.

Councillor Quentin Webb queried what impact the closure of the Calcot Office would have on internal audit. Julie Gillhespey explained that although there would be one fewer area to audit, the revised processes that would ensue would need auditing.

Councillor Lee Dillon asked for a comment on auditing of schools. Ian Priestley explained that the frequency of these audits would decrease as would the depth of these audits. Audits would focus on leadership and governance, financial management, budget control, the handling of payments and how any income was dealt with.

Councillor Rick Jones thanked Officers for the comprehensive report and for the clarity given the complexity of this area of work. Officers explained that the audit plan was based on risk. High risk areas were audited every four or five years, medium risks every seven years and low risk areas were audited less frequently. However as resources were depleted the frequency of audits would be lengthened.

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Councillor Jones queried if internal audit looked at value for money of capital projects. Officers explained that this would be a time consuming exercise and that with the resources available they could only look at processes.

The Chairman thanked Officers for the well written report. He also thanked the team for doing such a good job.

RESOLVED that the work plan be approved.

45 Corporate Parenting Panel (C3103)

The Committee considered a report (Agenda Item 8) which proposed changes to the governance of the Corporate Parenting Panel to provide a robust framework that upheld the Council's statutory responsibilities in relation to carrying out its responsibilities towards children and young people in care including care leavers.

Corporate Parenting was a statutory function of the Council. The leadership and commitment of Elected Members in their role as Corporate Parents was of critical importance in achieving good outcomes for children and young people in care. The Ofsted Inspection of Children's Services undertaken in March 2015 provided an overall judgement that Children's Services in West Berkshire were inadequate. The inspection concluded, amongst other things, that the characteristics of good leadership were not in place but that the local authority had recognised this and were taking action to address this.

One of the comments made by the Ofsted inspection team was that there was a need to "ensure that the Corporate Parenting Panel and children in Council care consistently contributed to improved outcomes for Looked After Children".

A review of the current Corporate Parenting Panel arrangements had therefore taken place and this report recommended proposals for strengthening those arrangements to ensure robust challenge and improved outcomes for Looked After Children in the district.

The review had therefore looked at membership, objectives, scrutiny mechanisms that were in place, performance monitoring and reporting mechanisms in order to provide a robust governance structure for the future.

Councillor Graham Bridgman requested that the typographical errors be corrected before the report was considered at full Council:

- in paragraph 3.3 use the correct form of 'its';
- that paragraph 3.3 item 13 be amended to clarify its meaning by for example adding the words 'by their attendance' to the end of the sentence;
- That paragraph 3.3 item 7 be re-written so that it made more sense by for example removing the first 'the' and inserting the word 'and' between 'Council' and 'our';

Councillor Bridgman commented that he felt that the whole of paragraph 3.3 should be looked at to ensure that it made more sense. He also stated that the membership section should be revisited. Paragraph 3.10 referred to 9 Members and it was not clear if these were District Councillors or not. Reference was made to 4 Members and 2 Substitutes and it was not clear if these were elected Members or not.

Councillor Lee Dillon asked what could be done to ensure that the views of the Council's Looked After Children of all ages were heard. It was agreed that this would be a good question to raise at Council.

Councillor Rick Jones commented that it was not clear from the report what changes had been made. He therefore requested that the Council version of the report included a paragraph setting out the key changes and what impact these changes would have.

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It was agreed that the report would be amended and sent to all Governance and Ethics Committee Members prior to inclusion in the Council agenda.

RESOLVED that the Governance and Ethics Committee recommend to Full Council that the governance of the Corporate Parenting Panel be amended to include new membership and Terms of Reference as set out in Appendix B to the report, subject to the inclusion of the amendments requested at this meeting.

(The meeting commenced at 5.00pm and closed at 6.18pm)

CHAIRMAN

Date of Signature

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Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

GOVERNANCE AND ETHICS COMMITTEE

MINUTES OF THE MEETING HELD ON THURSDAY, 19 MAY 2016

Councillors Present: Steve Ardagh-Walter, Jeff Beck, Graham Bridgman, James Cole, Billy Drummond (Substitute) (In place of Lee Dillon), Rick Jones, Anthony Pick and Quentin Webb

Apologies for inability to attend the meeting: Councillor Lee Dillon

PART I

1 Election of Chairman

RESOLVED that Councillor Rick Jones be elected Chairman of the Governance and Ethics Committee for the 2016/17 Municipal Year.

2 Apologies for Absence

An apology for inability to attend the meeting was received from Councillor Lee Dillon. Councillor Billy Drummond substituted for Councillor Lee Dillon.

3 Appointment of Vice-Chairman

RESOLVED that Councillor Jeff Beck be appointed Vice-Chairman of the Governance and Ethics Committee for the 2016/17 Municipal Year.

(The meeting commenced at 8.11 pm and closed at 8.12 pm)

CHAIRMAN

Date of Signature

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Governance and Audit Committee Forward Plan June 2016 – June 2017

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
20 June 2016						
1.	C3066	Changes to the Code of Conduct	To make any changes to the CoC if required following a scheduled review of the document.	David Holling	Chairman of Governance and Ethics (TBC)	Governance
2.	C3134	Changes to the Constitution - Part 11 (Contract Rules of Procedure)	To review and if appropriate amend Part 11 (Contract Rules of Procedure) following a request from the Procurement Board to do so	David Holling	Chairman of Governance and Ethics (TBC)	Governance
22 August 2016						
3.	GE3084	Annual Governance Statement 2015-16	To allow the Committee to review the Annual Governance Statement prior to signature by the Leader and Chief Executive	Ian Priestley	Communications, Democratic & Electoral Services, Finance Assurance, Legal, Human Resources, ICT (TBC)	Audit
4.	GE3085	Internal Audit Annual Report 2015/16	To provide an opinion on the effectiveness of the Council's internal control framework	Ian Priestley	Communications, Democratic & Electoral Services, Finance Assurance, Legal, Human Resources, ICT (TBC)	Audit
5.	GE3086	Annual Governance Statement - Statement in Support by the Section 151 Officer	To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the	Andy Walker	Communications, Democratic & Electoral Services, Finance Assurance, Legal, Human	Audit

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
			Section 151 Officer.		Resources, ICT (TBC)	
6.	GE3087	Annual Governance Statement - Statement in Support by the Monitoring Officer	To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.	David Holling	Communications, Democratic & Electoral Services, Finance Assurance, Legal, Human Resources, ICT (TBC)	Audit
7.	GE3088	West Berkshire Council Financial Statements 2015/16 including KPMG Opinion	To provide Members with the final copy of the Council's Financial Statements	Andy Walker	Leader of Council, Strategy & Performance, Finance (Roger Croft)	Audit
8.	GE3089	Monitoring Officer's Quarterly Update Report to the Governance and Ethics Committee – Quarter 1 of 2016/17	To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.	David Holling	Chairman of Governance and Ethics Committee (TBC)	Ethics
28 November 2016						
9.	C3068	Changes to the Constitution	To review and amend Part 5 of the Constitution.	David Holling	Chairman of Governance and Ethics Committee (TBC)	Governance
10.	GE3090	Monitoring Officer's Quarterly Update Report to the Governance and Ethics	To provide an update on local and national issues relating to ethical standards and to bring to the	David Holling	Chairman of Governance and Ethics	Standards

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
		Committee – Quarter 2 of 2016/17	attention of the Committee any complaints or other problems within West Berkshire.		Committee (TBC)	
06 February 2017						
11.	GE3091	Internal Audit - Interim Report 2016-167	To update the Committee on the outcome of internal audit work.	Ian Priestley	Communications, Democratic & Electoral Services, Finance Assurance, Legal, Human Resources, ICT (TBC)	Audit
12.	GE3092	Monitoring Officer's Quarterly Update Report to the Governance and Ethics Committee – Quarter 3 of 2016/17	To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.	David Holling	Chairman of Governance and Ethics Committee (TBC)	Ethics
13.	C3093	Amendments to the Constitution - Scheme of Delegation	To review and amend sections of the Scheme of Delegation in light of legislative changes and current practice.	David Holling	Communications, Democratic & Electoral Services, Finance Assurance, Legal, Human Resources, ICT (TBC)	Governance
24 April 2017						
14.	GE3081	Internal Audit Plan 2017/18	To outline the proposed internal audit work programme for the next	Ian Priestley	Communications, Democratic & Electoral	Audit

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
			three years		Services, Finance assurance, Legal, Human Resources, ICT (TBC)	
15.	GE3082	External Audit Plan 2017-18	To provide Members with a copy of the External Audit Plan for 2017-186.	Ian Priestley	Communications, Democratic & Electoral Services, Finance assurance, Legal, Human Resources, ICT (TBC)	Audit
16.	C3083	Monitoring Officer's Quarterly Update Report to the Governance and Ethics Committee –2016/17 Year End	To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.	David Holling	Chairman of Governance and Ethics (TBC)	Ethics
June 2017						
17.		No items to date				

Update on Ethical Matters – Quarter 1 of 2016/17 - Summary Report

Committee considering report:	Governance and Ethics Committee on 5 September 2016
Lead Member:	Rick Jones
Date Portfolio Member agreed report:	
Report Author:	David Holling
Forward Plan Ref:	GE3089

1. Purpose of the Report

- 1.1 To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.

2. Recommendation

- 2.1 Members of the Governance and Ethics Committee are asked to note the report.

3. Implications

- 3.1 **Financial:** There are no financial issues arising from this report. All costs associated with the investigation of complaints are met from within existing budgets.
- 3.2 **Policy:** Revised policy and changes to processes adopted at Council in December 2013
- 3.3 **Personnel:** There are no personnel issues associated with this report
- 3.4 **Legal:** There are no legal issues arising from this report, The matters covered by this report are generally requirements of the Localism Act 2011 and regulations made under it.
- 3.5 **Risk Management:** The benefits of this process are the maintenance of the Council's credibility and good governance by a high standard of ethical behaviour. The threats are the loss of credibility of the Council if standards fall.
- 3.6 **Property:** None
- 3.7 **Other:** None

4. Other options considered

- 4.1 None

5. Executive Summary

6. Introduction

- 6.1 Following the introduction of the Localism Act 2011 it was agreed that quarterly reports would be provided to the Governance and Ethics Committee. This report sets out the number and nature of standards complaints received, progress made with complaints submitted and highlights any areas where training or other action might avoid further complaints in the future. It also sets out any progress made with changes to policies and procedures associated with the Code of Conduct.

7. Key Issues Identified in the report:

- 7.1 During Quarter 1 of 2016/17 no formal complaints were received by the Monitoring Officer.
- 7.2 No dispensations were granted during Quarter 1 of 2016/17.
- 7.3 A small number of gifts and hospitality have been declared by District Councillors during Quarter 1 of 2016/17.
- 7.4 A small Task Group of Members has been set up to review West Berkshire Council's Code of Conduct. The revised documentation will be considered as a separate item at this meeting.
- 7.5 Parish and Town Council's have submitted a number of Register of Interest Forms where they have elected a new Chairman or Vice-Chairman or co-opted new Parish Councillors.

8. Conclusion

- 8.1 The number of complaints at this stage remains low. Any issues identified will be included in the training being arranged for Town and Parish Councillors in October 2016.

9. Appendices

- 9.1 Appendix A - Supporting Information
- 9.2 Appendix B – Equalities Impact Assessment – **Not Required**
- 9.3 Appendix C – Gifts and Hospitality Register

Update on Ethical matters – Quarter 1 of 2016/17– Supporting Information

1. Introduction

- 1.1 The Localism Act 2011 was enacted on 15th November 2011 and it made fundamental changes to the system of regulation of the standards of conduct for elected and co-opted members of Councils and Parish/Town Councils.
- 1.2 As part of the legislative framework the Council is required to set up a committee and underpinning processes to ensure that high standards of conduct are promoted. In July 2015 this responsibility was transferred to the Governance and Ethics Committee from the Standards Committee.
- 1.3 It was agreed that the Monitoring Officer would continue to take quarterly reports to the Governance and Ethics Committee to ensure ongoing monitoring of ethical standards in the district. This report sets out the membership, number and nature of complaints received, highlights gifts and hospitality received by District Councillors, and highlights areas where training or other action might avoid further complaints in the future. It also provides a means of updating the Committee on the progress of ongoing investigations and changes to policies and procedures.

2. Standards Regime

- 2.1 The Council has adopted a regime to meet the requirements of the Localism Act 2011 and the Regulations made under that Act including:
 - Terms of Reference for the Governance and Ethics Committee and Advisory Panel;
 - Code of Conduct for West Berkshire District Councillors;
 - Gifts and Hospitality Code;
 - complaints procedures for breaches of that code;
 - dispensations procedure.
- 2.2 A small member Task Group has been set up to review the Code of Conduct for West Berkshire Councillors as well as the Gifts and Hospitality Protocol. A separate report on the proposed changes will be presented to the Committee at this meeting.

Membership

Independent Persons

- 2.3 Under Section 28 of the Localism Act 2011 the Council has to ensure it has appointed at least one Independent Person who is consulted before any decision is made to investigate an allegation against any Member of the Council or any Parish/Town Councillor. It was agreed at the Full Council meeting on the 27 September 2012 that the Independent Person may be consulted directly either by the person who has made the complaint or the person the complaint has been made about. Following the 02 July 2015 meeting three Independent Persons have been

appointed and they will be used on a rotational basis to assess complaints and support the Advisory Panel.

2.4 The Independent Persons for 2016/17 are:

- Lindsey Appleton
- James Rees
- Mike Wall

Governance and Ethics Committee

2.5 The Governance and Ethics Committee consists of ten members, eight District Councillors, reflecting the political balance of the Council and two co-opted non voting Parish/Town Councillors. The membership for 2016/17 is as follows:

- Steve Ardagh-Walter,
- Jeff Beck,
- Graham Bridgman,
- James Cole,
- Lee Dillon,
- Rick Jones,
- Anthony Pick,
- Quentin Webb,
- Chris Bridges, (Non-voting Parish Council representative)
- Barrie Dickens (Non-voting Parish Council representative)

- Billy Drummond (substitute)
- Sheila Ellison (substitute)
- Tim Metcalfe (substitute)

Advisory Panel

2.6 The Advisory Panel consists of eight Members, two from each of the political parties, two parish councillors and two Independent Persons will also be included on each Advisory Panel and they will be used on a rotational basis. The Independent Person consulted as part of the Initial Assessment should not sit on the associated Advisory Panel if one is required. The Advisory Panel meetings will be chaired by an Independent Person.

2.7 The Membership for 2015/16 is as follows:

- Adrian Edwards
- Marigold Jacques
- Mollie Lock,
- Alan Macro
- Tony Renouf,
- Darren Peace

3. Parish/ Town Councils

3.1 Parishes and Town Councils have been asked to provide the Monitoring Officer with their Parish Councillor's Registers of Interest forms where changes have been

made to the Chairmanship or Membership of the Council. This information will be posted on the relevant websites or where the Parish Council does not have a website it will be published on West Berkshire Council’s website. Work on collecting this information is ongoing. Parishes are currently updating changes to Chairmen and Vice-Chairmen details and these will be reflected on the website in due course.

4. Council’s Constitution

4.1 Since March 2016 a number of changes have been made to the Constitution: The Monitoring Officer under his delegated authority has authorised the following changes:

Part 1 – Summary and Explanation paragraph 1.5(inclusion of Select Committees)

Part 2 – Articles of the Constitution, paragraphs 2.2.3, 2.3.4, 2.4.3, 2.7.1, 2.7.2.

2.7.9. and 2.7.11 (inclusion of Select Committees) and to 2.6.5 reflect new Portfolios

Part 3 – Scheme of Delegation paragraphs 3.16.2,3.16.3 and 3.16.15 to Update the Schedule of Proper Officer Appointments and also 3.15.3 updated

Part 4 – Council Rules of Procedure, paragraphs 4.6.2 and 4.2.2, 4.3.1 and Appendix A to reflect inclusion of the Select Committees

Part 5 – Executive Rules of Procedure, paragraphs 5.6.3, 5.1.3,5.3.2,5.4.2, 5.5.4,5.6.10 and App A

Part 6 – Overview and Scrutiny Rules of Procedure. Entire Section changed to reflect introduction of Select Committees

Part 7 – Regulatory and Other Committees Rules of Procedure, paragraph 7.2.5 and Appendix A – Select Committee Introduction

Part 13 – Codes and Protocols – Appendix A

4.2 In addition Part 15 – Management Structure was amended under delegated authority by the Chief Executive on 12 April 2016.

5. Complaints Against Councillors

5.1 During Quarter 1 of 2016/17 (April – June 2016) no formal complaints were received by the Monitoring Officer.

6. Dispensations

6.1 No dispensations to West Berkshire Councillors were granted during Quarter 1 of 2016/17.

7. Gifts and Hospitality

7.1 The following offers of gifts and hospitality were reported in Quarter 1 of 2016/17:

Member	Event	Offer	Accepted
Virginia von Celsing	Drinks reception and performance of One Million Tiny Plays About Britain at the Watermill Theatre	<£25	Yes
Graham Jones	Meal, Bed and Breakfast and tour around Jockey Club facilities at the jockey club	£100	Yes

	Newmarket		
Gordon Lundie	Meal, Bed and Breakfast and tour around Jockey Club facilities at the jockey club Newmarket for two	£200	Yes
Clive Hooker	Attendance to the air show, coffee, lunch and afternoon tea on 9th July at Fairford Airshow	TBC	TBC
Adrian Edwards	Freedom of Reading Borough for 7 Rifles (food and drink)	£15	Yes
Adrian Edwards	RBFRS awards ceremony at Easthampstead Conference Centre (food and drink)	£30	Yes
Adrian Edwards	Parade at Windsor Guildhall of Thames Valley Wing Air Training Corps on their 75th Anniversary (food and drink)	£15	Yes
Hilary Cole	Invitation to Cocktail Party and Beating Retreat ceremony at Denison Barracks (food and drink)	£15	Yes
Roger Croft	IKEA Swedish breakfast for store opening (breakfast for two)		Yes
Tony Linden	IKEA Swedish breakfast for store opening (breakfast)	Less than £25	Yes
Jeanette Clifford	Friends of Newbury Cemetery Open Day and AGM on 11th June 2016 (sandwich lunch and soft drinks)	£10	Yes
Jeanette Clifford	Royal Geographical Society Medals and Awards Ceremony - Annual Reception on 6th June 2016 (supper for individual society guests)	£50	Yes
Jeanette Clifford	Saxton Bampfylde Summer Party and Private Showing at the V&A on 14th June 2016 (summer party and private showing)	£50	Yes
Jeanette Clifford	American Embassy Independence Day reception on 30th June 2016 (reception)	£50	Yes
Adrian Edwards	South East Reserve forces briefing and supper at RMA Sandhurst (briefing and supper)	£50	Yes

7.2 In addition all hospitality received by the Chairman whilst undertaking his civic duties is documented and reported to the Monitoring Officer.

8. Training or Other Action Identified to avoid Further Complaints

8.1 A training session for town and parish councillors will take place on 18th October 2016.

9. Conclusion

9.1 Following a busy fourth quarter in 2015/16 the level of activity has been much less in in Quarter 1 of 2016/17. However this has enabled work to be carried out on the review and revision of the Code of Conduct and the Gifts and Hospitality Protocol. The systematic review of the Constitution continues and any major changes will be reported to the Committee over the coming months. Complaints have not materialised in the first quarter but there is no pattern or evidence as to why this is the case.

Background Papers:

- Localism Act 2011
- Reports to Council 10 May 2012 and Special Council on the 16 July 2012
- Terms of Reference for the Governance and Ethics Committee and Advisory Panel;
- A new Code of Conduct for West Berkshire District Councillors.

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council's position

Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months

Item is Urgent Key Decision

Report is to note only

Wards affected: All Wards

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

MEC – Become an even more effective Council

The proposals contained in this report will help to achieve the following Council Strategy priority:

MEC1 – Become an even more effective Council

The proposals contained in this report will help to achieve the above Council Strategy aims and priorities by ensuring that high ethical standards are maintained by District, Town and Parish Councillors

Officer details:

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Job Title: Head of Legal Services
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A new Councillors Code of Conduct - Summary Report

Committee considering report:	Council on 15 September 2016 Governance and Ethics Committee 5 September 2016
Portfolio Member:	Chairman of the Governance and Ethics Committee
Date Portfolio Member agreed report:	
Report Author:	Jo Reeves
Forward Plan Ref:	C3066

1. Purpose of the Report

- 1.1 To present the new Councillors Code of Conduct and seek the Council's approval.

2. Recommendations

- 2.1 That the Council:

- (1) Approves and adopts the new Councillors Code of Conduct
- (2) Delegates authority to the Monitoring Officer to make any required changes to the Council's Constitution in light of the new Councillors Code of Conduct
- (3) Delegates authority to the Monitoring Officer to update the process for investigating alleged breaches of the Code of Conduct
- (4) Delegates authority to the Monitoring Officer to publicise the revisions and replacement of the Councillors Code of Conduct in accordance with Section 28 (12) of the Localism Act 2011.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** The new Code of Conduct will become part of the Council's Constitution. It makes reference to a number of policies and protocols, such as the Member's ICT policy. Officers will need to ensure that hyperlinks in the Code of Conduct are kept updated as policies are reviewed and refreshed.
- 3.3 **Personnel:** None.
- 3.4 **Legal:** The new Code of Conduct is designed to assist councillors in complying with their legal obligation to declare Disclosable Pecuniary Interests and comply with the Bribery Act 2010.
- 3.5 **Risk Management:** The new Code of Conduct will make it easier for councillors to understand the declarations they need to make and how

they need to conduct themselves so will have a positive impact on management of reputational risk.

3.6 **Property:** None.

3.7 **Other:** None.

4. **Other options considered**

4.1 To make no changes to the way the Code of Conduct is presented.

5. Executive Summary

- 5.1 The Council has a duty under the Localism Act 2011 to promote and maintain high standards of conduct by Councillors and co-opted members of the Council.
- 5.2 At the Governance and Ethics Committee's meeting on 23 November 2015, the then Chairman, Councillor Quentin Webb, noted that it was nearly three years since the adoption of the Code and requested that the Code of Conduct be reviewed. A Task Group was established for this purpose.
- 5.3 The Task Group found there had been no legislative changes which meant that the Code's content needed to be changed.
- 5.4 Their focus was to amend the presentation of the Code so it was clear in its definitions and guidance. They also were mindful that the Code would be read on electronic devices and suggested that this be borne in mind when reformatting it. The Code now consists of a short summary document, with the detail in its appendices.

6. Conclusion

In conclusion, the Task Group present a new Councillors Code of Conduct which is designed to be read on electronic devices and offers clearer guidance to Councillors.

7. Recommendations

- 7.1 The Task Group recommends that the Council:
- (1) Approves and adopts the new Councillors Code of Conduct
 - (2) Delegates authority to the Monitoring Officer to make any required changes to the Council's Constitution in light of a new Councillors Code of Conduct
 - (3) Delegates authority to the Monitoring Officer to update the process for investigating alleged breaches of the Code of Conduct
 - (4) Delegates authority to the Monitoring Officer to publicise the revisions and replacement of the Councillors Code of Conduct in accordance with Section 28 (12) of the Localism Act 2011.

8. Appendices

- 8.1 Appendix A - Supporting Information
- 8.2 Appendix B – Equalities Impact Assessment
- 8.3 Appendix C – Councillor's Code of Conduct

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A new Councillors Code of Conduct – Supporting Information

1. Introduction

- 1.1 The Council has a duty under the Localism Act 2011 to promote and maintain high standards of conduct by Councillors and co-opted members of the Council.
- 1.2 The Council must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person' to investigate alleged breaches, and sanctions to be imposed on any councillors who breach the code.
- 1.3 The Council's existing Code of Conduct (hereafter referred to as The Code) was adopted by the Council at its meeting on 10th May 2012 and confirmed at a meeting on 16th July 2012. It came into effect on 1st July 2012. The revised Code was adopted at the Council meeting on the 12 December 2013.
- 1.4 At the Governance and Ethics Committee's meeting on 23 November 2015, the then Chairman, Councillor Quentin Webb, noted that it was nearly three years since the adoption of the Code and requested that the Code of Conduct be reviewed. A Task Group was established for this purpose.
- 1.5 The Task Group included the following members:
 - Councillors Rick Jones, Quentin Webb, Graham Bridgman and Lee Dillon.
 - Barry Dickens (Co-Opted Member) and James Rees (Independent Member).
- 1.6 The Task Group stated that their focus would be to ensure the Code was clear in its definitions and guidance. They also were mindful that the Code would be read on electronic devices and suggested that this be borne in mind when reformatting it. The Code now consists of a short summary document, with the detail in its appendices.

2. Councillor's Code of Conduct

- 2.1 The Task Group identified that since the passage of the 2011 Act, model codes of conduct have been produced by DCLG, the Local Government Association, and the National Association of Local Councils (NALC). The Task Group considered that these model codes did not offer the detail or clarity they felt would be appropriate.
- 2.2 The Task Group also examined the Codes of other Councils and identified some features that would be useful to Councillors, such as a flowchart to explain Interests.

3. Interests

- 3.1 Alongside the requirement to draw up a code of conduct, the Localism Act 2011 strengthened requirements on councillors to register and disclose interests. Schedule 2 of the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 lists the disclosable pecuniary interests specified for the purposes of the Act. The Task Group identified that the Council's existing Code was not clear enough on how it defined interests, or what a Councillor should do about their interests.
- 3.2 The new Code also provides guidance to councillors on Other Registrable Interests and Personal Interests.
- 3.3 The requirements to register Disclosable Pecuniary Interest apply to either an interest of the councillor or an interest of the Councillor's spouse/ partner. The task Group recommended that in the case of Other Registrable Interests and Personal interests, Councillors are asked to consider whether an interest belonging to a family member should be declared to maintain transparency.

4. Councillors Gifts and Hospitality Protocol

- 4.1 The Task Group also considered whether any changes were required to the estimated value (£25 or more) of a gift or hospitality, whether offered or received, to them or their spouse/partner. They concluded that this figure was still relevant so do not propose any change is made.

5. Conclusion

In conclusion, the Task Group present a new Councillors Code of Conduct which is designed to be read on electronic devices and offers clearer guidance to Councillors.

6. Recommendations

- 6.1 The Task Group recommends that the Council:
- (1) Approves and adopts the new Councillors Code of Conduct
 - (2) Delegates authority to the Monitoring Officer to make any required changes to the Council's Constitution in light of a new Councillors Code of Conduct
 - (3) Delegates authority to the Monitoring Officer to update the process for investigating alleged breaches of the Code of Conduct
 - (4) Delegates authority to the Monitoring Officer to publicise the revisions and replacement of the Councillors Code of Conduct in accordance with Section 28 (12) of the Localism Act 2011.

7. Consultation and Engagement

- 7.1 Councillors: Rick Jones (as Chairman of the Governance and Ethics Committee), Quentin Webb, Graham Bridgman, Lee Dillon, Alan Macro, Barry Dickens (Co-Opted Member), James Rees (Independent Member), Operations Board

7.2 Officers: David Holling, Head of Legal Services (as Monitoring Officer); Moira Fraser (Democratic and Electoral Services Manager), Sarah Clarke (Legal Services Manager), Corporate Board

Background Papers: Minutes from the Code of Conduct Task Group (available on request), Local government standards in England – House of Commons Briefing Paper.

Wards affected: All

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

MEC – Become an even more effective Council

The proposals contained in this report will help to achieve the following Council Strategy priority:

MEC1 – Become an even more effective Council

The proposals contained in this report will help to achieve the above Council Strategy aims and priorities by ensuring that all councillors uphold high standards of conduct.

Officer details:

Name: Jo Reeves
Job Title: Policy Officer (Executive Support)
Tel No: 01635 519486
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Appendix B

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage Two, Equality Impact Assessment is required.

Name of policy, strategy or function:	Code of Conduct for Members of West Berkshire Council
Version and release date of item (if applicable):	
Owner of item being assessed:	Moira Fraser
Name of assessor:	Jo Reeves
Date of assessment:	16 June 2016

Is this a:		Is this:	
Policy	Yes	New or proposed	No
Strategy	No	Already exists and is being reviewed	Yes
Function	No	Is changing	No
Service	No		

1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it?	
Aims:	To ensure high standards of conduct by councillors.
Objectives:	To clarify the expectation on councillors in their role.
Outcomes:	Appropriate declaration of interests, gifts and hospitality.
Benefits:	To uphold the integrity and transparency in the conduct of councillors.

2. Note which groups may be affected by the policy, strategy, function or service. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.		
(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
None		

Further Comments relating to the item:	
3. Result	
Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer: All councillors will be expected to uphold high standards of conduct.	
Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered ‘yes’ to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage 2 Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

4. Identify next steps as appropriate:	
Stage Two required	No
Owner of Stage Two assessment:	n/a
Timescale for Stage Two assessment:	n/a
Stage Two not required:	Yes

Name: Jo Reeves

Date: 16 June 2016

Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website.

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West Berkshire Council

Councillor's Code of Conduct

September 2016

1 Introduction

The initial version of this Code of Conduct (“this Code”) was adopted by the [Council](#) at its meeting on 10 May 2012 and confirmed at its meeting on 16 July 2012 pursuant to the duty to promote and maintain high standards of conduct by [Councillors](#) and others set out in the [Localism Act 2011](#) (“the Act”). It came into effect on 1 July 2012 and revisions were adopted on 12 December 2013 and 15 September 2016.

2 Gifts and Hospitality Protocol and Appendices

- 2.1 The [Councillors' Gifts and Hospitality Protocol](#) is an associated document to be read in conjunction with this Code.
- 2.2 [Appendix 1](#) contains definitions used in this Code and its Appendices (or identifies where they may be found). Within the electronic version of this Code defined words or phrases are hyperlinked for ease of reference (on the first occasion they appear): to the relevant definition within Appendix 1 or elsewhere within the Appendices as relevant; or to an external document (eg legislation).
- 2.3 [Appendix 2](#) contains the [Ten Principles of Public Life](#) (‘the Nolan Principles’).
- 2.4 [Appendix 3](#) gives guidance for declaring and registering interests.
- 2.5 [Appendix 3a](#) sets out the prescribed definitions relating to [Disclosable Pecuniary Interests](#).
- 2.6 [Appendix 3b](#) contains a flow chart relating to the declaration of interests.
- 2.7 [Appendix 4](#) sets out the rules relating to [Dispensations](#).
- 2.8 [Appendix 5](#) sets out the process for investigating alleged breaches of this Code.

3 Application

- 3.1 This Code applies to Councillors and [Co-Opted Members](#) (eg whenever they are acting, claiming to act, or giving the impression they are acting in their [Capacity](#) as a Councillor or Co-Opted Member). Where a [councillor](#) is not acting with Capacity no breach of this Code is likely to occur.
- 3.2 It is a Councillor's or a Co-Opted Member's personal responsibility to comply with this Code.
- 3.3 This Code is consistent with and based upon the Ten Principles of Public Life (also known as the Nolan Principles).
- 3.4 Should a complaint be made against a Councillor or Co-Opted Member it will be dealt with in accordance with the Act and its supporting regulations.
- 3.5 If a Councillor or Co-Opted Member needs any guidance on any matter relating to this Code, they should seek it from the [Monitoring Officer](#) or their own legal adviser (but it is repeated that it is entirely their personal responsibility to comply with the provisions of this Code).

4 General Obligations

4.1 Councillors and Co-Opted members **must**:

- (a) Treat councillors, co-opted members, officers, members of the public and service providers with courtesy and respect.
- (b) When involved in the decision making of the Council:
 - (i) ensure that they are aware of and comply with the requirements of the [Bribery Act 2010](#);
 - (ii) have regard to any advice provided to them by the Council's Chief Financial Officer or Monitoring Officer pursuant to their statutory duties;
 - (iii) give reasons for decisions made in accordance with any legal requirements and/or reasonable requirements of the Council.
- (c) When using or authorising the use by others of the resources of the Council, use the resources properly and in accordance with the Council's relevant policies.
- (d) Have regard to the applicable [Local Authority Code of Publicity](#) under the Local Government Act 1986.

4.2 Councillors and Co-Opted Members **must not**:

- (a) Engage in [bullying or intimidating behaviour](#) or behaviour which could be regarded as bullying or intimidation.
- (b) Do anything which may cause the Council to breach any of the equality enactments as defined in [section 33, Equality Act 2006](#).
- (c) Disclose information given to them in confidence or information acquired by them which they believe or are aware is of a confidential nature except where:
 - (i) they have the consent of a person authorised to give it;
 - (ii) they are required to do so by law;
 - (iii) the disclosure is made to a third party for the purpose of obtaining professional legal advice;
 - (iv) the disclosure is reasonable and in the public interest;
 - (v) the disclosure is made in good faith and in compliance with the reasonable requirements of the Council or its professional advisers.
- (d) Prevent another person from accessing information if that person is entitled to do so by law.
- (e) Improperly use knowledge gained solely as a result of their role as a Councillor for the advancement of their Disclosable Pecuniary Interests.
- (f) Conduct themselves in a manner which could reasonably be regarded as bringing their office or the Council into disrepute.

5 Interests, Dispensations, Sensitive Interests and Bias

- ### 5.1 Councillors **must** declare any interests (Disclosable Pecuniary Interests, [Other Registrable Interests](#) and [Personal Interests](#)) that relate to their public duties and **must** take steps to resolve any conflicts arising in a way which promotes openness and transparency, including registering and declaring interests in a

manner conforming with the procedures. Further guidance is contained within Appendix 3.

- 5.2 Councillors who have a Disclosable Pecuniary Interest may apply for a Dispensation to enable them to speak and/or vote at a [Meeting](#) on the specific grounds set out in the Dispensation Procedure in Appendix 4.
- 5.3 If the Monitoring Officer agrees that an interest is a [Sensitive Interest](#) the Councillor **must** disclose its existence at a relevant Meeting but is not required to provide specific details (see Appendix 3). The Monitoring Officer shall also exclude the details of the Sensitive Interest from the published version of the Register of Interests.
- 5.4 When exercising a quasijudicial function (eg Planning, Licensing and Appeals), interests which do not qualify as Disclosable Pecuniary Interests or Other Registrable Interests could nevertheless lead a reasonable member of the public to conclude that there was a real possibility of bias on the part of a Councillor. In such circumstances the Councillor should not participate in the decision making process (ie the Councillor should not vote nor, unless they are requested to do so by the Chairman of the Meeting on a point of clarification, speak on the matter). The interest should be registered with the Monitoring Officer.

6 **Gifts and Hospitality**

Councillors **must** disclose and record any [gift or hospitality](#) they are offered or receive in accordance with the Councillors' Gifts and Hospitality Protocol.

7 **Alleged breaches of this Code**

- 7.1 Any allegation that a Councillor has breached this Code will initially be considered by the Monitoring Officer in consultation with one of the [Independent Persons](#). Where a matter is referred for investigation the Governance and Ethics Committee's Advisory Panel will consider the findings of the investigation. The Advisory Panel shall be chaired by an Independent Member and make recommendations to the Governance and Ethics Committee for final decision.
- 7.2 Appendix 5 is a flowchart outlining the process for dealing with alleged breaches of this Code.

West Berkshire Council Councillor's Gifts and Hospitality Protocol

September 2016

Introduction

This Protocol is intended to complement the [Councillors' Code of Conduct](#). It offers guidance to [Councillors](#) with regard to best practice and the need to preserve integrity and demonstrate good governance. It has been written to protect both individual Councillors and the [Council](#) itself. The intention of this Protocol is to ensure that the Council can demonstrate that no undue influence has been applied or could be said to have been applied by any supplier or anyone else dealing with the Council and its stewardship of public funds.

This Protocol adopts the definitions in [Appendix 1](#) to the Code.

This Protocol sets out Councillors' obligations to declare any relevant gifts and hospitality which might be offered to or received by them in their [Capacity](#) as a Councillor or to their spouse or partner as a result of their relationship with the Councillor.

The corollary of this is that gifts and hospitality offered to a [councillor](#) in their private capacity, of whatever value, do not need to be registered at all. Further, this Protocol does not apply to the acceptance of any facilities or hospitality which may be provided to a councillor by the Council.

It is the Councillor's responsibility to ensure any gifts and hospitality received or offered to them or their spouse/ partner are declared to the Council's [Monitoring Officer](#) in accordance with the agreed procedures.

Transparency is the issue: councillors should always consider whether any gifts or hospitality could be seen as being connected with their public role as a Councillor. It is public perception that matters.

A breach of this Protocol amounts to a breach of the Code and a complaint can be reported to the Monitoring Officer or the Governance and Ethics Committee and dealt with in accordance with the [process for alleged breached of the Code](#).

The Rules

- 1 A Councillor or their spouse/ partner **must never**:
 - 1.1 accept a gift or hospitality as an inducement or reward for anything which they do as a Councillor; or
 - 1.2 accept a gift or hospitality which might be open to misinterpretation; or
 - 1.3 accept a gift or hospitality which puts them under an improper obligation; or
 - 1.4 solicit a gift or hospitality.
- 2 Prior to the acceptance of any hospitality with a value of £25 or more, a Councillor should whenever possible seek authorisation from the Monitoring Officer, and only if consent has been given should the Councillor or their spouse/partner accept the hospitality.

- 3 A Councillor **must** register every individual gift or item of hospitality over £25 in value that is offered to them and indicate whether or not it was accepted.
- 4 A Councillor's registration of the gift or hospitality **must** be made within 28 days of the date of offer or receipt as the case may be.
- 5 Registration is made by a declaration in writing to the Member Services Officer(s) working on behalf of the Monitoring Officer, preferably electronically (eg by email), and giving details of:
 - 5.1 the value (or estimated value) and details of the gift or hospitality offered or received;
 - 5.2 if the gift or hospitality has been accepted, the reason for that acceptance;
 - 5.3 whether to the Councillor's knowledge the donor of the gift has, or has had in the past, or is likely to have in the future, dealings with the Council.
- 6 A Councillor should be aware of serial givers or repeat offers of hospitality as these may indicate a pattern of behaviour that might result in a breach of the Code of Conduct.
- 7 An offer of a gift or hospitality that appears over-generous **must** be declined; it could be seen as an inducement to affect a Council decision.
- 8 Even if all Councillors, or a large number of them, are offered or receive the same gift or hospitality, they **must** each make individual notifications.

Please note that the press and public have the right to inspect gift and hospitality declarations as submitted (and that Officers cannot edit the declarations).

Guidance

Should a Councillor accept gifts and hospitality?

It is not sufficient just to register gifts or hospitality; a Councillor **must** consider whether it is appropriate or sensible to accept them in the first place. The general test of caution is one of common sense and perception, ie would a reasonable member of the public question the appropriateness of hospitality or gifts received by the Councillor or their spouse/partner? If a Councillor is concerned the acceptance could be misinterpreted they **must** decline it and declare it.

A Councillor or their spouse/ partner **must never** solicit a gift or hospitality, or accept any gift or hospitality offered as an inducement or which puts them under any obligation.

Particular care must be taken in relation to gifts and hospitality offered by current or potential contractors for the Council. In certain cases, the acceptance of a gift or hospitality from these sources could constitute a criminal offence, even if declared. If there is any suspicion that any offer is intended as an inducement, then the matter **must** be reported in accordance with established procedures.

The Bribery Act 2010 has offences of "bribing another person" (active bribery) and of "being bribed" (passive bribery). The offences consist of "promising, offering or giving" or "requesting, agreeing to receive or accepting an advantage (financial or otherwise)" in circumstances involving the improper performance of a relevant function or activity.

In the context of the Council the relevant function or activity means a public activity which a reasonable person would expect to be performed in good faith, impartially or

in a particular way by a person performing it in a position of trust. There is a maximum penalty of 10 years' imprisonment or an unlimited fine for these offences.

Must a Councillor register all gifts and hospitality that they are offered?

A Councillor **must** register any gift or hospitality worth £25 or more that they or their spouse/partner are offered, and whether it was accepted. Where the value of any gift or hospitality is under £25 a Councillor **may** wish to declare receiving it.

What about gifts or hospitality that a Councillor is offered but did not accept?

A Councillor **must** register any offer of gifts and/or hospitality over £25 even if declined, since this protects both their position and that of the Council.

What is the value of the gift / hospitality?

A Councillor may have to estimate how much a gift or some hospitality is worth in their written declaration. It is suggested that they take a common sense approach, and consider how much they reasonably think it would cost a member of the public to buy the gift, or provide the hospitality in question. If as a result they estimate that the value is £25 or more, then the Councillor **must** declare it.

Where hospitality is concerned, a Councillor can disregard catering on-costs and other overheads, eg staff and room hire. If the refreshments, of whatever kind, would cost £25 or more in a comparable establishment providing food of comparable quality, the Councillor **must** register it.

If a Councillor is not certain whether the value is under £25, the safest course of action is to register it and give an approximate value.

What about gifts of low value?

There is no requirement to declare gifts of a value of less than £25. However, in order to be transparent, if a Councillor or their spouse/ partner receive a series of related gifts which are all under £25, but together total above £25, then they **must** register them if they are from the same person. If the small gifts received from different persons are connected in some way, it is good practice to register them.

How does a Councillor register gifts and hospitality that they receive?

A Councillor **must** give the Member Services Officer(s) working on behalf of the Monitoring Officer written details about the gifts and hospitality they or their spouse/ partner are offered, preferably by email. The best advice is to get into the habit of registering things as soon as possible.

Which organisation does a Councillor make declarations to?

A Councillor **must** also consider that they might be offered gifts and hospitality in their capacity as the Council's representative on an outside body. It is a Councillor's responsibility to ensure that they declare any gifts and hospitality in accordance with that organisation's rules and procedures.

How to deal with the issue of when gifts or hospitality are received in different capacities or where there are overlapping roles

Councillors need only declare gifts and hospitality to the Monitoring Officer where they are offered or received in their Capacity as a West Berkshire District Councillor.

If a councillor receives gifts or hospitality in another capacity, eg arising from holding another public office, they should register in accordance with whatever code is in place for that other body. If a particular body does not actually require the councillor

to register anything, then they do not need to do anything in respect of the receipt of a gift or hospitality directly attributed to their role within that organisation.

If the councillor is not sure what capacity they or their spouse/partner received something in, provided they declare the gift or hospitality *at least once* with the body that appears to be the most appropriate, they will have fulfilled their duties. The overriding purpose is public transparency.

What happens if a Councillor does not register a gift or hospitality?

Failure to notify the Monitoring Officer, or the Members Service Officer(s) acting on their behalf, of the offer or receipt of a gift or hospitality with a value of £25 or more is a breach of this Protocol and consequently also a breach of the Code of Conduct. An alleged breach of the Code can be the subject of a complaint to the Monitoring Officer or Governance and Ethics Committee which could result in the matter becoming the subject of an investigation.

Gifts which are more likely to be considered acceptable

It is the responsibility of the Councillor to decide whether or not to declare gifts and hospitality.

The Council has however agreed that in appropriate circumstances Members of the Council may choose to accept gifts and hospitality in the following circumstances:

- Civic hospitality provided by another authority;
- Modest refreshments received in the ordinary course of duties as a Councillor eg at formal meetings, training or working meetings or when in contact with constituents;
- Tickets for sporting or cultural events which are sponsored or supported by the Council;
- Small gifts of low intrinsic value branded with the name of the company or organisation making the gift (eg pens, diaries, calendars etc);
- Modest souvenir gifts from another public body given on the occasion of a visit by or to that body;
- Hospitality received in the course of an external visit or meeting which has been authorised by the Council. In such cases the arrangements should be made by Officers rather than the Councillors who will be benefiting and hospitality should be commensurate with the nature of the visit; and
- Other unsolicited gifts where it is impracticable to return them or where refusal would in the circumstances cause offence. In such cases the Councillor may wish to pass the gift to the Chairman's Charity.

Offers/receipt of gifts and hospitality of these types are still subject to the requirements of this Protocol regarding the notification to the Monitoring Officer of gifts and hospitality of greater than £25 in value. The appropriateness of acceptance must always be considered beforehand. It must also be noted that the fact that a gift or hospitality does not have to be notified under this Protocol does not necessarily mean that it is appropriate to accept it.

Will the register be open to the public?

The register is available to the public in the same way as the register of Disclosable Pecuniary Interests is. It is open for inspection at the Council Offices, Market Street.

Regular updates of declarations will be reported to the Governance and Ethics Committee as part of the quarterly performance monitoring reports.

Further assistance

It is each Councillor's own individual responsibility to observe this Protocol, but the Monitoring Officer will help where possible. If a Councillor has any questions at all please contact the Monitoring Officer, Deputy Monitoring Officer(s) or the Democratic and Electoral Services Manager for advice and assistance.

West Berkshire Council

Councillor's Code of Conduct - Appendix 1

Definitions

This appendix provides definitions to some of the words and phrases used in the Code of Conduct and its Appendices.

'Bullying or intimidating behaviour' means offensive, intimidating, malicious, insulting or humiliating behaviour which attempts to undermine, hurt or humiliate an individual or group.

(Such behaviour can have a damaging effect on a victim's confidence, capability and health.

Bullying conduct can involve behaving in an abusive or threatening way, or making allegations about people in public, in the company of their colleagues, through the press or in blogs, [but within the scope of the Code of Conduct].

It may happen once or be part of a pattern of behaviour, although minor isolated incidents are unlikely to be considered bullying. It is also unlikely that a councillor will be found guilty of bullying when both parties have contributed to a breakdown in relations.)

'Capacity' – a Councillor or Co-Opted Member is acting in their Capacity as such when they are:

- acting as a representative of the Council; or
- participating in a [Meeting](#); or at briefing meetings with officers and members of the public; or
- corresponding with the authority other than in their private capacity.

'Council' means West Berkshire Council.

'councillor' means an elected member of the Council.

'Councillor' means a councillor where they are acting in their Capacity.

'Co-Opted Member' means a person who is not a councillor but who:

- is a member of any committee or sub-committee of the Council; or
- is a member of, and represents the Council on, any joint committee or joint sub-committee of the Council.

'Disclosable Pecuniary Interest' has the meaning given to it in the Act (see Appendix 3).

'Dispensation' has the meaning given to it in Appendix 5.

'Independent Person' means a person appointed by the Council in accordance with the Act who is consulted before the Council makes any decision on an allegation of a breach of this Code.

'Meeting' means any meeting of:

- the Council;
- the executive of the Council;

Councillors Code of Conduct – West Berkshire Council

- any of the Council's or its executive's committees, sub-committees, joint committees, joint sub-committees, task groups, or area committees;

whether or not the press and public are excluded from the meeting in question by virtue of a resolution of councillors.

'Monitoring Officer' means the Monitoring Officer of the Council (*who has the specific duty to ensure that the Council, its Officers, and its councillors, maintain the highest standards of conduct in all they do*).

'Other Registrable Interest' has the meaning given to it in Appendix 3.

'Personal Interest' has the meaning given to it in Appendix 3.

'Relevant Person' has the meaning given to it in Appendix 3.

'Sensitive Interest' has the meaning given to it in Appendix 3.

West Berkshire Council

Councillor’s Code of Conduct - Appendix 2

The Ten Principles of Public Life (‘the Nolan Principles’)

Selflessness

Councillors should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

Honesty and Integrity

Councillors should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly, and should on all occasions avoid the appearance of such behaviour.

Objectivity

Councillors should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

Accountability

Councillors should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

Openness

Councillors should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.

Personal judgement

Councillors may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

Respect for others

Councillors should promote equality by not discriminating against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority’s statutory officers and its other employees.

Duty to uphold the law

Councillors should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.

Stewardship

Councillors should do whatever they are able to do to ensure that their authorities use their resources prudently, and in accordance with the law.

Leadership

Councillors should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.

West Berkshire Council

Councillor's Code of Conduct - Appendix 3

Interests

Introduction

Councillors and Co-Opted Members **must** declare any interests that relate to their public duties and **must** take steps to resolve any conflicts arising in a way which promotes openness and transparency, including registering and declaring interests in a manner conforming to the procedures.

There are three types of interest:

- Disclosable Pecuniary Interests
- Other Registrable Interests
- Personal Interests

Councillors should also always consider whether any interest could be seen as being prejudicial to their decision making as a councillor. It is public perception that matters.

1 Disclosable Pecuniary Interests (DPIs)

- 1.1 [Schedule 2 of the Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#) lists the disclosable pecuniary interests specified for the purpose of the Act. This list is in [Appendix 3a](#).
- 1.2 The requirements to register interests apply to either an interest of the councillor or an interest of the councillor's spouse, civil partner or partner. However, the councillor does not have to differentiate between their own or their spouse/civil partner/partners' interests or to name them.

2 How to declare a DPI

- 2.1 Councillors **must** notify the Monitoring Officer of any DPI, within 28 days of taking up office or becoming aware of their interest. As with the Code, the requirement to disclose DPIs applies to Co-Opted Members as well as to councillors.
- 2.2 Any interests **must** also be disclosed at a Meeting if they are relevant to the matters under discussion.
- 2.3 The Act makes participation in such matters a criminal offence if the Councillor has a DPI.
- 2.4 Where, as an Executive Member, a Councillor may discharge a function alone, and they become aware of a DPI in a matter being dealt with, or to be dealt with by them, the Councillor **must** notify the Monitoring Officer of the interest and **must not** take any steps or further steps in the matter, or seek improperly to influence a decision about the matter.

3 Other Registrable Interests

- 3.1 Councillors are required by law to register Other Registrable Interests.
- 3.2 An Other Registrable Interest is one which a member of the public who knows all the relevant facts relating to it would reasonably consider that interest is so

significant that it is likely to prejudice or influence the councillor's judgement of the public interest.

3.3 These relate to:

- (a) any body of which a councillor is a member or in a position of general control or management and to which they are appointed or nominated by their authority;
- (b) any body exercising functions of a public nature; directed to charitable purposes; or one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union), of which they are a member or in a position of general control or management;
- (c) any easement, servitude, interest or right in or over land which does not carry with it a right for the councillor (alone or jointly with another) to occupy the land or to receive income.

4 How to declare an Other Registrable Interest

4.1 Councillors **must** notify the Monitoring Officer of any Other Registrable Interests, within 28 days of taking up office or becoming aware of their interest. As with the Code, the requirement to disclose Other Registrable Interests applies to Co-Opted Members in addition to councillors.

4.2 A Councillor may participate in decision making relating to their Other Registrable Interests to make representations, answer questions or give evidence relating to the business, provided that the public are also allowed to attend the Meeting for the same purpose. The Councillor **must** leave the Meeting immediately after making representations, answering questions or giving evidence.

4.3 Subject to the Councillor disclosing the interest at the Meeting, they may attend a Meeting and vote on a matter where they have an Other Registrable Interest that relates to the functions of their authority in respect of:

- (a) housing, where they are a tenant of their authority provided that those functions do not relate particularly to their tenancy or lease;
- (b) school meals or school transport and travelling expenses, where they are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
- (c) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where they are in receipt of, or are entitled to the receipt of, such pay;
- (d) an allowance, payment or indemnity given to councillors;
- (e) any ceremonial honour given to councillors; and
- (f) setting council tax or a precept under the Local Government Finance Act 1992.

5 When an Other Registrable Interest becomes a Personal Interest

5.1 The Council has many dual-hatted councillors who are also town or parish councillors. Membership of a body exercising functions of a public nature, such as town and parish councils, is an Other Registrable Interest and usually

restricts a Councillor's participation in decision making. A Councillor would however be permitted to participate in decision making at Planning Committee meetings because their membership of a town or parish council is unlikely to prejudice or influence the Councillor's judgement of the planning application before the Committee. In this instance the Councillor should follow the rules on how to declare a Personal Interest.

- 5.2 Conversely, there might be times when a councillor's membership of a town or parish council is likely to prejudice or influence the Councillor's judgement of the planning application before the Committee. The Councillor should seek advice from the Monitoring Officer if they are unsure.

6 Personal Interests

- 6.1 A Councillor has a Personal Interest in any decision of their authority where the interest might reasonably be regarded as affecting their well-being or financial position or that of a [Relevant Person](#) to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral division or ward

- 6.2 A Relevant Person is:

- (a) a parent, grandparent, sibling, child, aunt, uncle, cousin (or partner/spouse of any of those people) by birth or by marriage; or
- (b) any person or body who employs or has appointed a Relevant Person, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom a Relevant Person has a beneficial interest in a class of securities exceeding the nominal value of £25,000.00; or
- (d) any body of a type described in Other Interests.

7 How to declare a Personal Interest

- 7.1 Where a Councillor has a Personal Interest in any business of the Council a Councillor needs to disclose to the meeting the existence and nature of that interest when they address the meeting on that business.
- 7.2 Personal interests do not need to be declared to the Monitoring Officer, but Councillors should seek advice if they are not sure what type of interest they have.

8 When a Personal Interest becomes an Other Registrable Interest

- 8.1 As outlined in [the Code](#), a situation may arise where a member of the public who knows all the relevant facts relating to it would reasonably consider that an interest is so significant that it is likely to prejudice or influence the Councillor's judgement of the public interest. In that circumstance their interest would be considered to be an Other Registrable Interest.
- 8.2 A Councillor would have an Other Registrable Interest in a planning application that their parent had submitted because that Relevant Person is likely to be affected by the application to a greater extent than the majority of the inhabitants of the ward or parish. A DPI would not cover this aspect as they relate to Councillor and their spouse/partner only. The existence of a close family tie would mean that the public might consider that it would prejudice the Councillor's view when considering the application.

- 8.3 In this instance the Councillor should follow the rules on how to declare an Other Registrable Interest.

9 Interests arising in relation to overview and scrutiny committees

In any business before an overview and scrutiny committee of the council (or of a sub-committee of such a committee) where:

- (a) that business relates to a decision made (whether implemented or not) or action taken by the executive or another of their authority's committees, sub-committees, joint committees or joint sub-committees; and
- (b) at the time the decision was made or action was taken, they were a member of the Executive, committee, sub-committee, joint committee or joint sub-committee they were present when that decision was made or action was taken,

a Councillor may only attend a meeting of the overview and scrutiny committee for the purpose of answering questions or giving evidence relating to the business, and they **must** leave the room where the meeting is held immediately after making representations, answering questions or giving evidence. The Councillor should not stay in the meeting for the purposes of taking part in the committee's general debate.

10 Register of Interests

The Council will maintain a register of councillors' interests, and make it available to the public on their website.

11 Sensitive Interests

- 11.1 Where a councillor is concerned that the disclosure of the details of an interest (whether a DPI or Other Interest which the councillor is required to disclose) at a Meeting or on the Register of Members' Interests, and such disclosure would lead to the councillor or a person associated with them being subject to violence or intimidation, the councillor may request the Monitoring Officer agree that such interest is a Sensitive Interest.
- 11.2 If the Monitoring Officer agrees that the interest is a Sensitive Interest the councillor **must** still disclose the existence of the interest at a relevant Meeting but the councillor is not required to provide the details of the Sensitive Interest during the meeting. The Monitoring Officer shall also exclude the details of the Sensitive Interest from the published version of the Register of Members' Interests.

West Berkshire Council

Councillor’s Code of Conduct - Appendix 3a

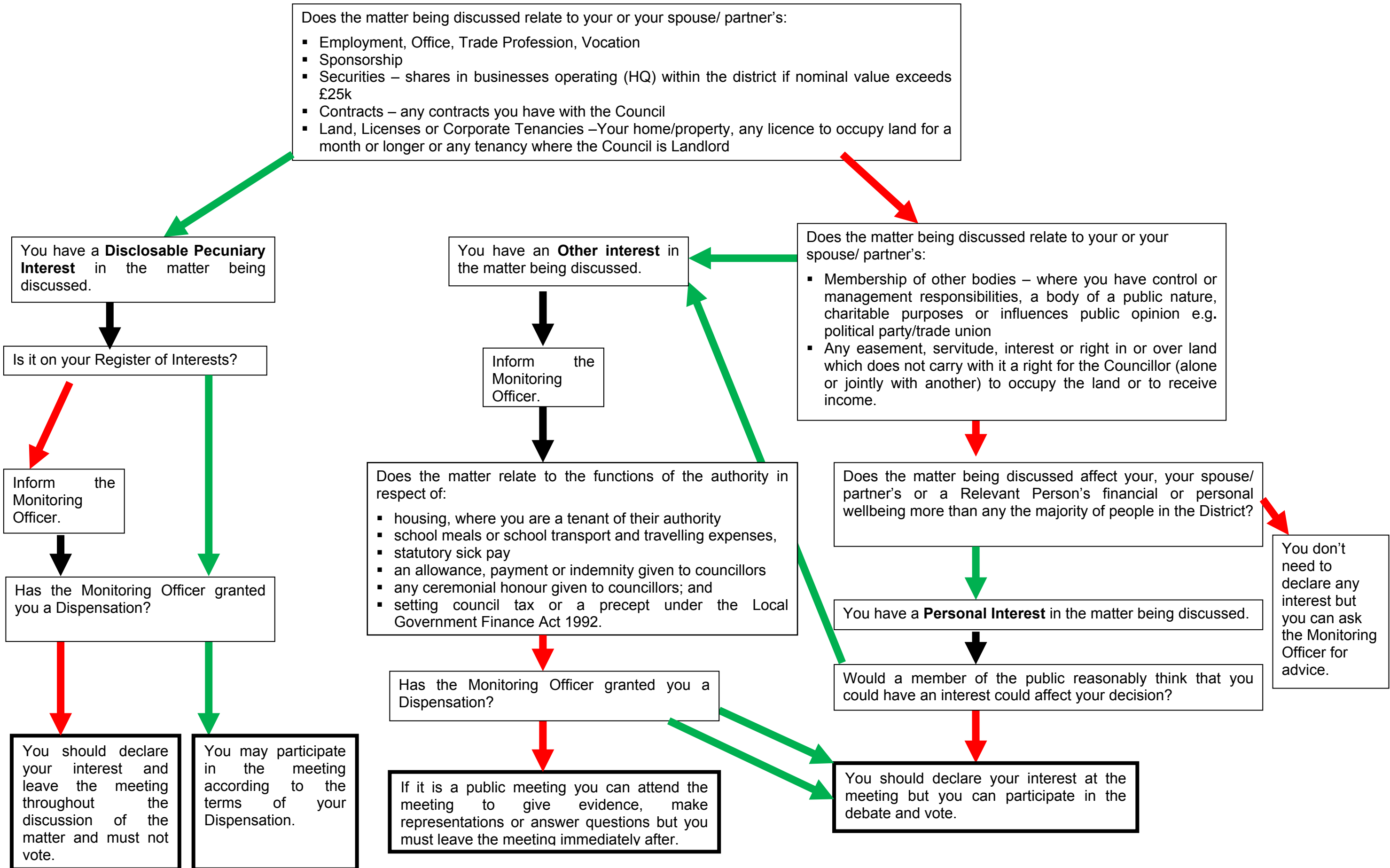
Prescribed Definitions for Disclosable Pecuniary Interests

The following table replicates [Schedule 2 of the Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#) and gives the prescribed definitions for Disclosable Pecuniary Interests.

<i>Subject</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the relevant period in respect of any expenses incurred by a Councillor in carrying out duties as a member, or towards the election expenses of a councillor. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the Councillor’s partner/ spouse (or a body in which the Councillor’s partner/ spouse has a beneficial interest) and the Council— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the Council.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Council for a month or longer.
Corporate tenancies	Any tenancy where (to the Councillor’s knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the Councillor’s partner/ spouse has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to the Councillor’s knowledge) has a place of business or land in the area of the Council; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the Councillor’s partner/ spouse has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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**West Berkshire Council
Councillor’s Code of Conduct - Appendix 3b
Appendix 3b – Interests Flowchart**



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West Berkshire Council

Councillor’s Code of Conduct - Appendix 4

Dispensations under the Localism Act 2011

Introduction

Regulations came in to force on 1 July 2012 following the introduction of the Localism Act 2011. Section 33 of these regulations prescribes the circumstances in which the Governance and Ethics Committee and the Monitoring Officer may grant Dispensations to Councillors to speak and/or vote at a meeting in which they have a Disclosable Pecuniary Interest under Section 31 of the Act.

If a Councillor acts in accordance with the granting of such a Dispensation, any participation in business prohibited by the mandatory provisions of the Code of Conduct is not a failure to comply with the authority’s Code.

These regulations refer to the circumstances where a Councillor, finds they are in a position where they have to declare a disclosable pecuniary interest under the Code of Conduct which would ordinarily then require them to leave the meeting. These councillors might be able to obtain a Dispensation from the Governance and Ethics Committee or Monitoring Officer to stay in the meeting after declaring the interest and either speak or speak and vote according to any Dispensation granted.

Dispensations

1 Circumstances in which a Dispensation can be Granted

1.1 The Governance and Ethics Committee or Monitoring Officer may grant a Dispensation to a Councillor in the following circumstances:

- (a) That so many Councillors of the decision making body have Disclosable Pecuniary Interests in a matter that it would “impede” the transaction of the business of that body. [In practice this means the decision making body would be inquorate as a result.
- (b) That without the Dispensation the representation of different political groups on the body transacting the business would be such as to alter the outcome of the vote on that particular matter.
- (c) That the authority considers that the Dispensation is in the interests of persons living in the authority’s area.
- (d) That without a Dispensation no Member of the Executive would be able to participate in a particular matter. They suggest that where the Executive would be inquorate as a result then the particular decision could be dealt with by an individual Member of the Executive. It may be necessary to make provision in the Scheme of Delegation to enable this to occur although it does appear to be an unlikely event.
- (e) That the Council considers that it is “otherwise appropriate” to grant a Dispensation. This is a particularly wide provision as to some extent is (c) above.

- 1.2 It is considered that grounds (a) and (d) are objective and that Dispensations on these grounds are delegated to the Monitoring Officer with an appeal to the Governance and Ethics Committee.
- 1.3 Grounds (b), (c) and (d) are rather more complex and subjective the discretion to grant Dispensations on these grounds remains with Governance and Ethics Committee after consultation with the Independent Person.

2 Requesting a Dispensation

Requests for Dispensations **must**:

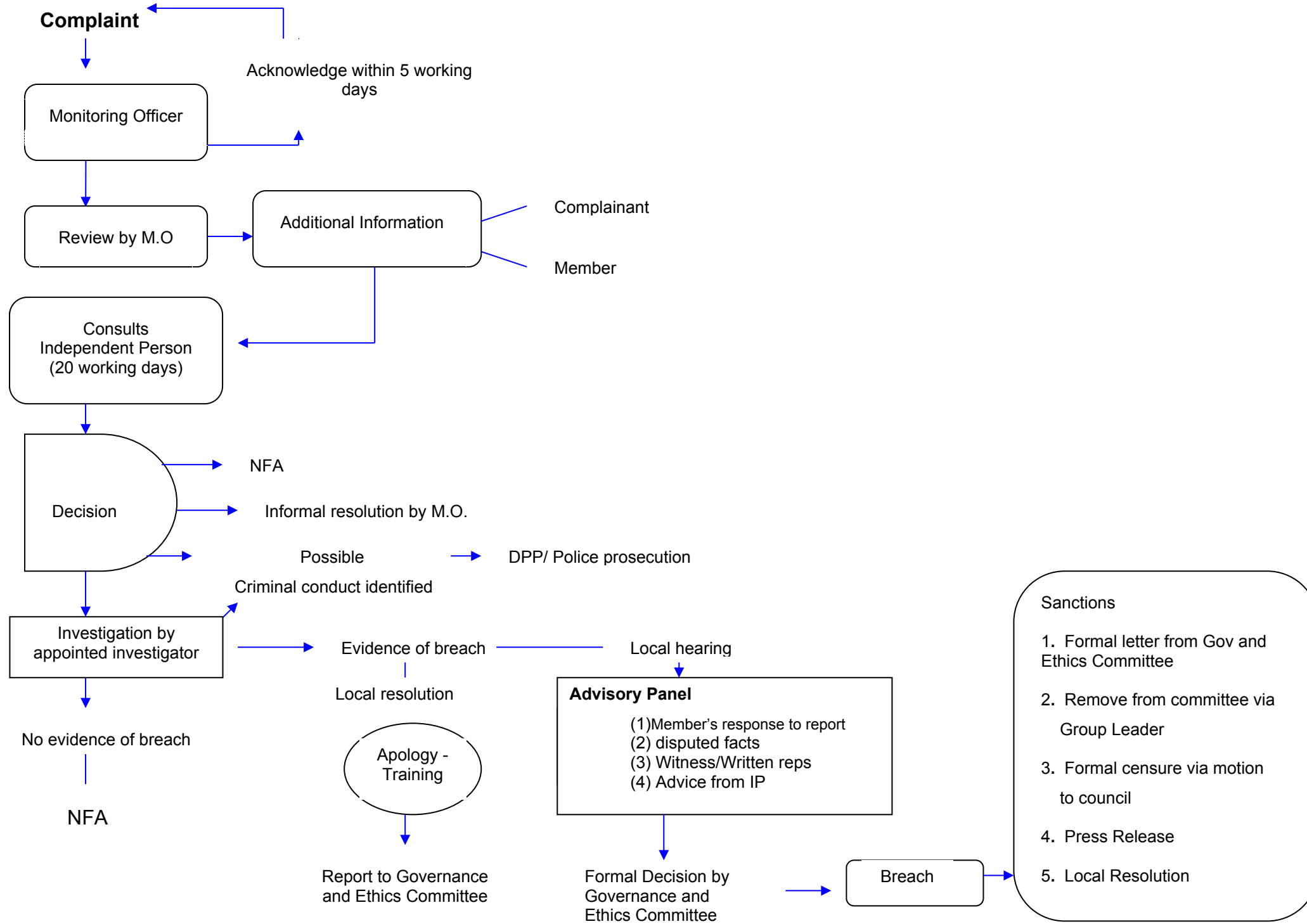
- (a) Be made in writing.
- (b) Be made to the Monitoring Officer of the Council.
- (c) Be made by an individual Councillor or Co-Opted Member of the authority.
- (d) Provide sufficient information to base a decision on.

3 Procedure and Considerations

- 3.1 The Governance and Ethics Committee or Monitoring Officer will take the following into consideration when determining whether or not a Dispensation should be granted:
 - (a) They will weigh up the effect of Councillors' disclosable pecuniary interest against the outcome of the vote if they are not participating in the vote.
 - (b) They will consider whether the nature of the interest in question is such that public confidence in the authority would be damaged if that Councillor were allowed to vote.
 - (c) They will look at whether the interest in question is one that is common to both the Councillor and to a significant proportion of the population.
 - (d) They will take account of the expertise and knowledge of the Councillor and whether this justifies their participation in the item in question.
 - (e) They will have regard to whether the business in question relates to a voluntary or public body and additionally whether the interest is a financial one.
 - (f) They will consider whether a Dispensation not being granted would mean the meeting was inquorate, this might be a reason to grant the Dispensation.
- 3.2 This consideration may also take account of any other relevant circumstances or local criteria.
- 3.3 The Monitoring Officer or Governance and Ethics Committee will determine the nature of any Dispensation they are minded to grant:
 - (a) Whether the applicant can speak and not vote; or
 - (b) Whether the applicant can participate fully and vote.
- 3.4 The Monitoring Officer or Governance and Ethics Committee can also decide the length of the Dispensation (not more than four years).

- 3.5 The regulations do not allow for the Monitoring Officer or Governance and Ethics Committee to grant a general Dispensation to cover any situation where a Disclosable Pecuniary Interest may arise.
- 3.6 If the Monitoring Officer or Governance and Ethics Committee grants a Dispensation it should do so in writing and before the Meeting(s) in question is/ are held.
- 3.7 The Monitoring Officer or Governance and Ethics Committee may decide to refuse an application for a Dispensation. This is within their discretion under the regulations.
- 3.8 A written record of the decision taken must be kept and placed with the Register of Interests maintained under Section 81(1) of the Local Government Act 2000.

Appendix 5 – Process for Alleged breaches of the Code



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West Berkshire Council Financial Statements 2015/16 including KPMG Opinion – Summary Report

Committee considering report:	Governance and Ethics Committee on 5 September 2016 Operations Board on 1 September 2016
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	
Report Author:	Lesley Flannigan
Forward Plan Ref:	GE3088

1. Purpose of the Report

- 1.1 To provide Members with the ISA260 report from KPMG, which will provide their opinion on the Council's Financial Statements, the Council's Value for Money and any recommendations they propose.
- 1.2 To provide Members with a final copy of the Council's Financial Statements as at 31st March 2016.

2. Recommendation

- 2.1 To consider KPMG'S report on the Financial Statements and then approve the Financial Statements, as requested in the Accounting and Audit Regulations.

3. Implications

- | | | |
|-----|-------------------------|-----|
| 3.1 | Financial: | N/A |
| 3.2 | Policy: | N/A |
| 3.3 | Personnel: | N/A |
| 3.4 | Legal: | N/A |
| 3.5 | Risk Management: | N/A |
| 3.6 | Property: | N/A |
| 3.7 | Other: | N/A |

4. Other options considered

- 4.1 None

5. Executive Summary

- 5.1 The s151 officer approved the draft Financial Statements as at the 31st March 2016 in May 2016. The Council's draft Financial Statements were published on the West Berkshire Council website on 31st May 2016. KPMG completed their audit over the intervening period and have issued an unqualified opinion on the Financial Statements.
- 5.2 The Governance and Ethics Committee has delegated responsibility to approve the Financial Statements by the 30th September 2016 on behalf of the Council.
- 5.3 The following documents are attached in the Appendices in order for the Governance and Ethics Committee to approve, or not, the Financial Statements as at 31st March 2016, taking into account KPMG's opinion. This will enable the audit to be finalised and the accounts to be closed for the 2015/16 financial year:
- (1) The IAS260 from KPMG outlining their opinion on the Council's Financial Statements and the Council's Value for Money at Appendix A
 - (2) The final copy of the Council's Financial Statement's as at 31st March 2016 at Appendix C.

6. Conclusion

- 6.1 The audit of the Financial Statements has progressed well and the Council has been issued with an unqualified opinion. Members are being asked for their approval of the Council's Financial Statements as at 31st March 2016.

7. Appendices

- 7.1 Appendix A – IAS260 KPMG report
- 7.2 Appendix B – Equalities Impact Assessment – not applicable
- 7.3 Appendix C – Council's Financial Statements as at 31 March 2016

(Letterhead of Client)

KPMG LLP
Ian Pennington
Director
3 Assembly Square
Britannia Quay
Cardiff
United Kingdom
CF10 4AX

[DATE September 2016]

Dear Ian

This representation letter is provided in connection with your audit of the financial statements of West Berkshire Council (“the Authority”), for the year ended 31 March 2016, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority’s expenditure and income for the year then ended; and
 - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions*,

Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
10. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Governance and Ethics Committee on 5 September 2016.

Yours faithfully,

[Chair of the Governance and Ethics Committee]
[Head of

Finance]

Appendix to the Authority Representation Letter of West Berkshire Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



External Audit Report 2015/16

West Berkshire Council

—

25 August 2016

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body'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 committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.



Section one: Introduction



This document summarises:

- The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for the Authority; and
- Our assessment of the Authority’s arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- Our audit work at West Berkshire Council (‘the Authority’) in relation to the Authority’s 2015/16 financial statements; and
- The work to support our 2015/16 conclusion on the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources (‘VFM conclusion’).

Financial statements

Our *External Audit Plan 2015/16*, presented to you in April 2016, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2016.

It also includes any findings in respect of our control evaluation which we have identified.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM Conclusion

Our External Audit Plan 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- Considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- Carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority and the fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

We have not made any recommendations in relation to this year’s audit. We have reviewed your progress in implementing prior recommendations.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.



Section two: Headlines



This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2016. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit has not identified any audit adjustments. A number of minor amendments focused on presentational improvements have been made to the draft financial statements, and you have included additional commentary in the Narrative Statement.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. We identified no significant risks specific to the Authority during 2015/16 with respect to the financial statements. We did identify two areas of audit focus: <ul style="list-style-type: none"> — Assuring the fair value of Property Plant and Equipment (PPE); and — Pension Costs and Liabilities. We have worked with officers throughout the year to discuss these areas of audit focus and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.
Accounts production and audit process	We received complete draft accounts by 3 June 2016, well in advance of the DCLG deadline. This is part of a planned process of accelerating the year end in order to meet the 31 July deadline for audited accounts that will apply from 2017/18. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code. The quality of the accounts and the supporting working papers has been maintained. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has not yet fully implemented the recommendations in our equivalent report from last year, as one of the recommendations is not yet due. As in previous years, we will debrief with the accounts team to share views on the shared accounts and audit process. This will lead to further efficiencies in the 2016/17 year end. In particular we would like to thank Authority Officers who were available throughout the audit visit to answer our queries.



This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

<p>VFM conclusion and risk areas</p>	<p>We identified the following VFM risks in our External audit plan 2015/16 issued in April 2016.</p> <ul style="list-style-type: none"> — Financial Resilience; and — Better Care Fund/Care Act Eligibility. <p>We also included progress towards implementing the Ofsted action plan as an area of audit focus.</p> <p>We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report. The main issues facing the Authority are to identify sufficient savings and efficiencies (£22 million as reported in the Medium Term Financial Strategy) and to set and deliver a balanced budget for 2017/18 in the face of pressures on its income, increased demand for its services and a relatively low general fund balance. There are no other matters of any significance arising as result of our audit work in these VFM risk areas.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2016.</p>
<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete, subject to the following areas:</p> <ul style="list-style-type: none"> — Whole of Government Accounts testing (return received from Council on 9 August in advance of DCLG deadline; our work is planned for week commencing 29 August); and — Normal completion and review procedures, including receipt of your representation letter (see below). <p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Section 151 Officer on 19 August 2016. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We are not asking management to provide any specific representations.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>



Section three: Financial Statements

Proposed opinion and audit differences



We have not identified any issues in the course of the audit that we consider to be material.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Governance and Ethics Committee on 5 September 2016.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you.

We also report any material misstatements that have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix three for more information on materiality) level for this year's audit was set at £6 million. Audit differences below £300k are not considered significant.

We did not identify any material misstatements.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code'). The Authority has addressed these where significant.

Annual governance statement

We have reviewed the Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Significant audit risks



We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our *External Audit Plan 2015/16*, presented to you in April 2016, we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

We did not identify any other significant audit risks.

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2015/16* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Other areas of focus



In our External Audit Plan 2015/16, we identified two areas of audit focus. These are not considered as significant risks but areas of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for each of such areas of audit focus.

Fair value of PPE

— Risk

In 2014/15 the Council reported Property, Plant and Equipment of £413 million. Local authorities exercise judgement in determining the fair value of the different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. Given the materiality in value and the judgement involved in determining the carrying amounts of assets we consider this to be an area of audit focus.

— Findings

In accordance with its accounting policy, the Authority has undertaken a valuation exercise using the external valuation firm, Wilkes Head and Eve, which has involved the valuation of a proportion of the Authority's operational properties (around 20%) and all investment properties. We checked the approach and professional competence and independence of the valuers. We reviewed the accounting treatment following the revaluation and are satisfied that the valuations have been reflected appropriately in the financial statements. There are no matters arising from our work that we need to report to you.

Pension costs and liabilities

— Risk

In 2014/15 the Council reported Pension Assets of £218 million and Pension Liabilities of £468 million. Pension valuations require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. This is also a complex accounting area. Given these factors and the materiality in values we consider this to be an area of audit focus.

— Findings

We reviewed the information supplied to the actuary for reasonableness compared with the Authority's records. We also checked whether the pensions costs and liabilities recognised in the accounts were accurately drawn from the report from the actuary. We compared key actuarial assumptions with KPMG's actuarial benchmarks and with the review of all actuarial assumptions commissioned by the National Audit Office. We reviewed the accounting treatment for associated balances and transactions in order to confirm that it was in line with the requirements of the CIPFA code. There are no matters arising from our work that we need to report to you.



We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas				
Asset/liability class	15/16	14/15	Balance (£m)	KPMG comment
Accruals / Grants with conditions	3	3	£18.0 million <i>(PY: £21.6 million)</i>	We consider the related disclosures to be proportionate. The main accruals are lower than the prior year but they are in line with our expectations.
Debtors provisioning	3	3	£2.9 million <i>(PY: £6.3 million)</i>	The decrease in provision is mainly due to the Authority's share of successful business rate appeals that were determined by the Valuation Office Agency in 2015/16. We consider the provision disclosures to be appropriate.
Property, Plant and Equipment (valuations / asset lives)	3	3	£428.5 million <i>(PY: £413.3 million)</i>	The Authority uses external professional valuers to assist in determining asset values and asset lives. The Authority follows the technical advice received when compiling its asset register and financial statements.
Pensions	3	3	£239.9 million <i>(PY: £250.1 million)</i>	The Authority uses the assumptions considered most appropriate to its circumstances as recommended by the external actuary, Barnett Waddingham LLP.
Reserves	4	5	£6.4 million <i>(PY: £8.0 million)</i>	The balance on General Fund reserves has reduced compared with 31 March 2015. The Head of Finance's recommended minimum level of reserves is £6 million. We also noted that the Council has total earmarked reserves of £12 million, of which £4.5 million is schools' balances and £5.2 million are described as specific earmarked reserves. See page 19 for further comments.

Accounts production and audit process



The Authority has maintained the quality of the accounts and supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented one of the three recommendations in our ISA 260 Report 2014/15: one is not due; and for the other the information was not available to the Authority.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has maintained its good financial reporting processes. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 3 June 2016. We received the Whole of Government Accounts return on 9 August 2016. The Authority made a small number of presentational amendments to the accounts presented for audit.
Quality of supporting working papers	The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i> .
Response to audit queries	Officers resolved our audit queries in a reasonable time.

Prior year recommendations

We have specifically followed up the Authority's progress in addressing the recommendations in last year's ISA 260 report.

The Authority has implemented two of the three recommendations in our ISA 260 Report 2014/15, with the remaining recommendation not yet due.

Appendix one provides further details.

Our ISA 260 Report 2014/15 also referred to the (then) recent inspection by Ofsted. We considered the outcome of the inspection and concluded that because the issue was in a specific area and there was a monitored action plan in place, we did not need to modify our VFM opinion. We did however note that we expected to see progress on the action plan during 2015/16. We have been informed that the Authority's initial action plan has now been completed and a further action plan to move the Authority's rating to 'good' in time for the next Ofsted inspection is now in place and being implemented.



We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of West Berkshire Council for the year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and West Berkshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix four in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance for presentation to the Governance and Ethics Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.



Section four: Value for Money



Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We follow a risk based approach to target audit effort on the areas of greatest audit risk.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

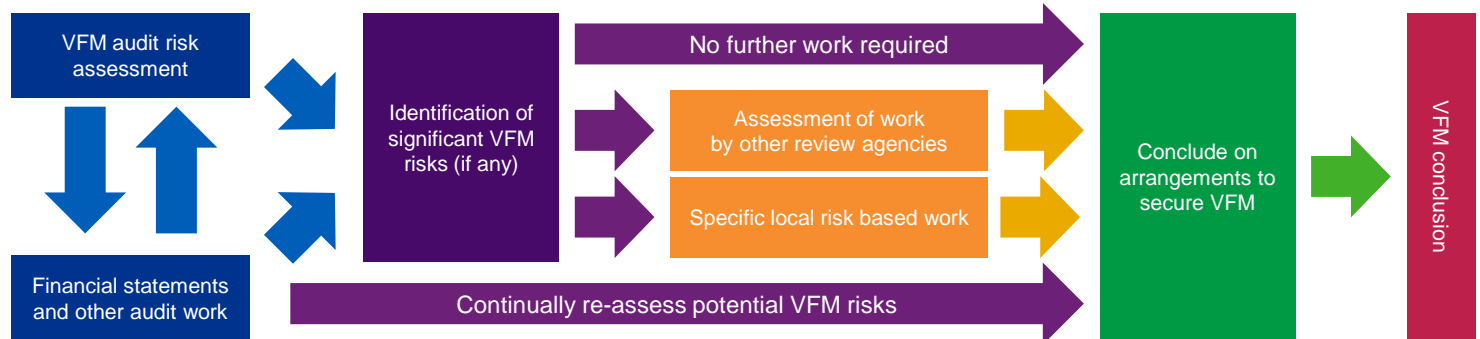
Background

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

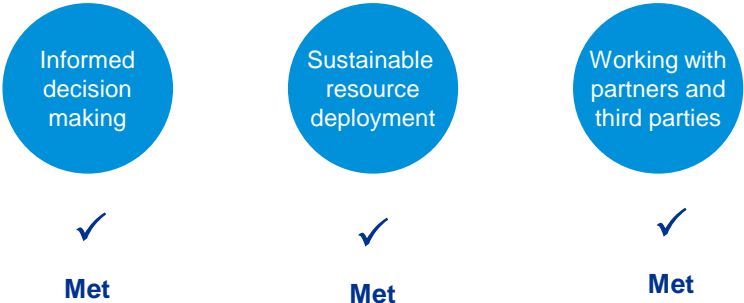
These sub-criteria provide a focus to our VFM work at the Authority.



Conclusion

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Overall criterion
In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



Specific VFM Risks



We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas; and
- Completed specific local risk based work.

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we needed to carry out additional work for some of these risks. This work is now complete and we also report on this below.


Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government whilst having to maintain a statutory and quality level of services to local residents.</p> <p>This is relevant to the informed decision making and sustainable resource deployment sub-criterion of the VFM conclusion.</p>	<p>In view of the financial challenges facing the Authority we have set out a detailed commentary of the position later in this section.</p> <p>In summary, although the Council's financial position remains challenging, there is a balanced budget for 2016/17 and plans are being made to deliver the savings identified as required within the Medium Term Financial Strategy. Given the Council's track record and that there is time (albeit limited) to develop savings plans for 2017/18 we do not consider that there is any adverse impact on the VFM conclusion that we need to identify in the auditor's report for year ended 31 March 2016.</p> <p>Specific risk based work required: Yes – page 19</p>

Specific VFM Risks (cont.)



We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Better Care Fund (BCF) was set up under the Care Act 2014. The aim is to encourage joint work across health and adult social care to ensure local people receive better care. Joint arrangements have been established with Newbury & District and North & West Reading Clinical Commissioning Groups (CCGs) to administer the local BCF. The Care Act also requires new national eligibility criteria which has expanded the number of clients that the Council has to support and the scope of the packages of care. The Council has been challenging this element of the Care Act through the courts and the final outcome is awaited. As the arrangements are new, crossing the health and social care boundary with organisations who have different legal structures there is a risk that the governance and accounting arrangements may not be well developed to manage this partnership arrangement appropriately.</p> <p>This is relevant to the informed decision making, sustainable resource deployment, working with partners and third parties sub-criteria of the VFM conclusion.</p>	<p>There are no reported issues arising from the 2015/16 BCF agreement and out-turn. The BCF agreement for 2016/17 has a budget of £10.6 million (an 11.9% increase compared with 2015/16).</p> <p>Although the majority of the funding comes from the CCGs, with £1.9 million from the Authority, the Authority is responsible for spending around half of the combined money. There are detailed arrangements and targets in place on a scheme by scheme basis.</p> <p>The CCGs and the Authority have agreed a BCF plan that meets the national conditions and improves health and care services for local residents. The agreement also sets out the risks and how issues arising will be dealt with.</p> <p>In terms of the impact of the Care Act and the change in eligibility criteria and new duties such as prevention, the Authority's strategy is to review and revise its approach to the delivery of services. The Authority has seen an increase in the number of people approaching it in need of help and an increase in prevention work it has been able to support many without the need for a long term service delivery impact.</p> <p>The change in eligibility framework from the Care Act also created a need for all long term clients to receive an annual review. The Authority's performance 95% for 2015/16 is an improvement but due to changes in indicator definition there is no national comparator yet. This level of performance has been achieved with temporary additional capacity which is not the long term solution, and a similar situation caused criticism in the 2015 Ofsted review. Implementing New Ways of Working has created a Review Team who will focus on planned work. There will also be a new review framework that will allow the Authority to apply the strengths based approach, ensuring regular planned contact.</p> <p>Specific risk based work required: No</p>

Financial Resilience considerations



The Authority has faced tough challenges in recent years, including:

- a savings programme of £5.9 million required to set a balanced budget at the start of the 2015-16 financial year. This was against a back drop where over the previous five years the council had already delivered £31million of revenue savings through finding efficiencies, staff reductions and transforming services.
- The key factors driving the challenging financial environment have been continued reductions in funding from Central Government coupled with minimal increases in Council Tax, which for West Berkshire, has seen no increases in four out of the last six years.
- Since the introduction of local business rate retention, growth has stagnated and a number of large appeals have reduced the Authority's income.
- In addition to reduced funding reductions, the Authority has experienced significant demand led pressure in:
 - Adult social care budgets in 2015-16. The eligibility criteria for adults accessing social care services has been reduced from critical to the national substantial criteria as a result of the implementation of The Care Act. The Authority incurred a £3 million shortfall from making the change, but is reviewing and revising its service delivery arrangements to try to meet the increasing demand with less funding.
 - Children's social care (placement support)
 - Education Services (support services for children with disabilities and special educational needs and Home to School Transport).

In light of these challenges, the Authority has continued to show good control of finances and ability to manage within its budgets. The total revenue expenditure in 2015-16 was £125 million with a year end over spend of £115k or 0.09% of net budget with a consequential reduction in the General Fund. The Authority has delivered outturns close to its budget requirement over recent years with underspends in the previous 4 years (as a percentage of net budget these were 0.44% in 2011-12, 0.5% in 2012-13, 0.37% in 2013-14 and 0.03% in 2014-15).

In terms of performance against key accountable measures in 2015/16 the Authority is reporting that the results achieved by the end of the first year of the Authority Strategy 2015-2019 show that progress has been made in all priority areas.

In addition to the above challenges, the Authority is facing a 44% cut in its 2016/17 RSG. This was greater than the 25% reduction envisaged by the Authority. Consequently, there was an urgent second round of consultation in February/ March 2016 about cuts/savings needed. In total the Authority's 2016/17 budget includes a £14 million savings programme (all savings identified and approved); 1.99% increase in Council Tax; and 2% increase in Council Tax ring-fenced for Adult Social Care.

The Council has now revisited its MTFs (in light of the increased/accelerated loss of RSG in particular) and identified that £22.4 million of savings are needed to be identified (in total) for the three financial years 2017-20. It is also important to note that the Council has assumed no Council Tax increases in these projections of savings needed. The Council is now working on building plans to ensure it is able to continue to deliver services within a balanced budget, and with a general fund balance that is relatively low. This clearly represents a significant challenge, particularly in the context of savings already made. Members and officers will need to work closely together to explore options and reach decisions as soon as practicable to give the Authority sufficient time to ensure plans are robust and can be implemented within the necessary time scales.



Appendices

Appendix 1: Follow up of prior year recommendations

Appendix 2: Materiality and reporting of audit differences

Appendix 3: Declaration of independence and objectivity

Follow up of prior year recommendations

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2014/15*.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2014/15 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	3
Implemented in year or superseded	2
Remain outstanding (re-iterated below)	1

No.	Risk	Issue and recommendation	Officer responsible & due date	Status as at August 2016
1	2	<p>Titles of assets</p> <p>As part of our work on VA/VC schools we noted a number of assets where the legal title was in the Council's name, and a Diocese has challenged the Council's legal title and requested that the assets transfer to them. These are historical matters and the Council accepts that transfer should have been made by the Council in the past but had not been processed.</p> <p>Recommendation</p> <p>A review should take place of the legal titles held to all school assets to ensure that the Council only holds titles where it has the right to do so.</p>	<p>Responsible Officer: Lesley Flannigan (Finance Manager, Financial Reporting)</p> <p>Due Date: March 2017</p>	<p>This recommendation is not yet due, but we note that little meaningful progress has been made due to the extensive support needed from legal services.</p>

Materiality and reporting of audit differences

For 2015/16 our materiality is £6 million for the Authority's accounts.

We have reported all audit differences over £300k for the Authority's accounts.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2015/16, presented to you in April 2016.

Materiality for the Authority's accounts was set at £6 million which equates to around 1.7 percent of gross expenditure and is below the level of the council's general fund. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Governance and Ethics Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Ethics Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £300k.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Ethics Committee to assist it in fulfilling its governance responsibilities.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Governance and Ethics Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

Declaration of independence and objectivity (cont.)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of West Berkshire Council for the financial year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and West Berkshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix three

Audit Independence

Audit Fees

Our scale fee for the audit was £96,653 plus VAT (£128,870 in 2014/15). This fee was in line with that highlighted within our audit plan agreed by the Governance and Ethics Committee in April 2016. Our scale fee for certification for the Housing Benefits return was £10,560 plus VAT, although this work is currently in progress.

Audit Related Fees

Where we do work on grants and claims that used to be part of the PSAA/Audit Commission regime, these are required to be considered as audit related fees. The level of these fees are subject to similar restrictions (in terms of value) as non-audit services from PSAA's monitoring arrangements. The fees charged in 2015/16 were £3,000 plus VAT for the 2014/15 Teachers' Pensions Return.

Non-audit services

We have not undertaken any non-audit services for the Authority in 2015/16.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Financial Statements 2015/16



West Berkshire
COUNCIL

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Introducing West Berkshire

West Berkshire makes up over half of the geographical area of the county of Berkshire - covering an area of 272 square miles. It lies on the western fringe of the South East region, centrally located, at a crossroads where the South East meets the South West and where the south coast comes up to meet the southern Midlands.

As such, the district lies at the convergence of two key road arteries in the south – the M4 and the A34. Both provide direct road links in all directions, with all the key urban centres in southern England (London, Reading, Southampton, Portsmouth, Bristol, Oxford, and Swindon) within an hour's drive.

The district has good rail links, with London less than an hour by train and further connections, via Reading, to all the mainline routes throughout the country. The area also has very good links to international transport hubs: Heathrow and Southampton airport are 40 miles away, as are the ferry terminals in Southampton and Portsmouth, providing links with the continent.

The district is primarily made up of chalk Downlands, loosely centred along the lower reaches of the River Kennet, which rises in Wiltshire and flows through to join the Thames at Reading.

The flat floodplain of this river is bordered by fairly steep slopes on each side. Most people within the district live within this valley. To the south, the land rises steeply to a line of scarps which form the border with Hampshire. The majority of the district however, lies to the north of the Kennet where the land rises to the Berkshire and Marlborough Downs. This is an area of gently rolling chalk Downlands, classified as part of the North Wessex Downs Area of Outstanding Natural Beauty (AONB). This area is famous for its involvement in horse racing.

The district is administered by West Berkshire Council. The council was created as a single tier (unitary) authority after the dissolution of Berkshire County Council in 1998. The boundary of the district corresponds with that of the former Newbury District Council.



Narrative Report

Introduction

This report provides a guide to the most significant matters reported in the financial statements and an explanation of West Berkshire Council's financial position.

The Accounts and Audit (England) Regulations 2015 require the Council to produce Annual Accounts for each financial year giving certain specified information. The narrative report accompanies the accounts and sets out to explain the financial details contained within them.

To assist readers, a glossary of accounting terms is included on pages 71 to 74.

This narrative report is followed by:

- **The Annual Governance Statement** which explains the arrangements the Council has for the governance of its affairs and for ensuring that there is a sound system of internal control;
- **The Independent Auditor's Report** which gives the auditor's opinion on the financial statements and gives a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- **The Statement of Responsibilities** which sets out the respective responsibilities of the Council and the Head of Finance.

The Annual Accounts incorporate the following:

- **The Comprehensive Income & Expenditure Account** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from council tax. Councils raise council tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The council tax position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (total assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement section 'Adjustments required due to statutory accounting policy'.
- **The Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
- **The Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating,

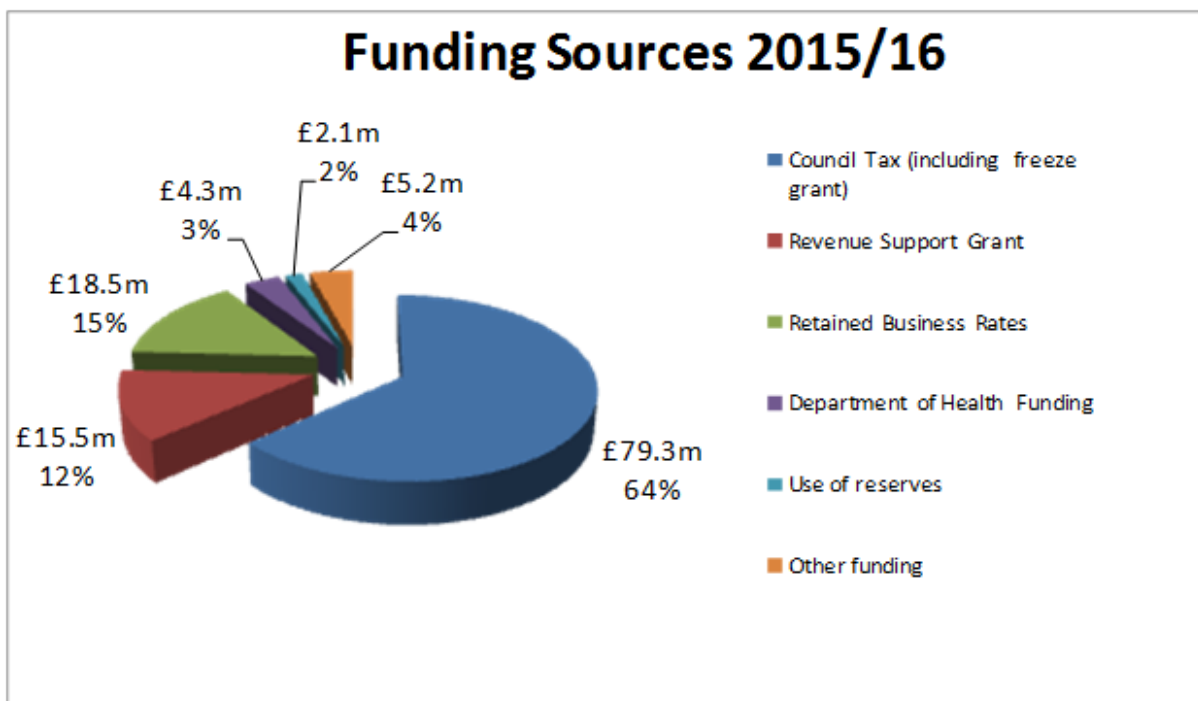
investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of council tax and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

- **The Collection Fund Income and Expenditure Account**, which records the council tax and business rates transactions for the financial year and how they are subsequently distributed.

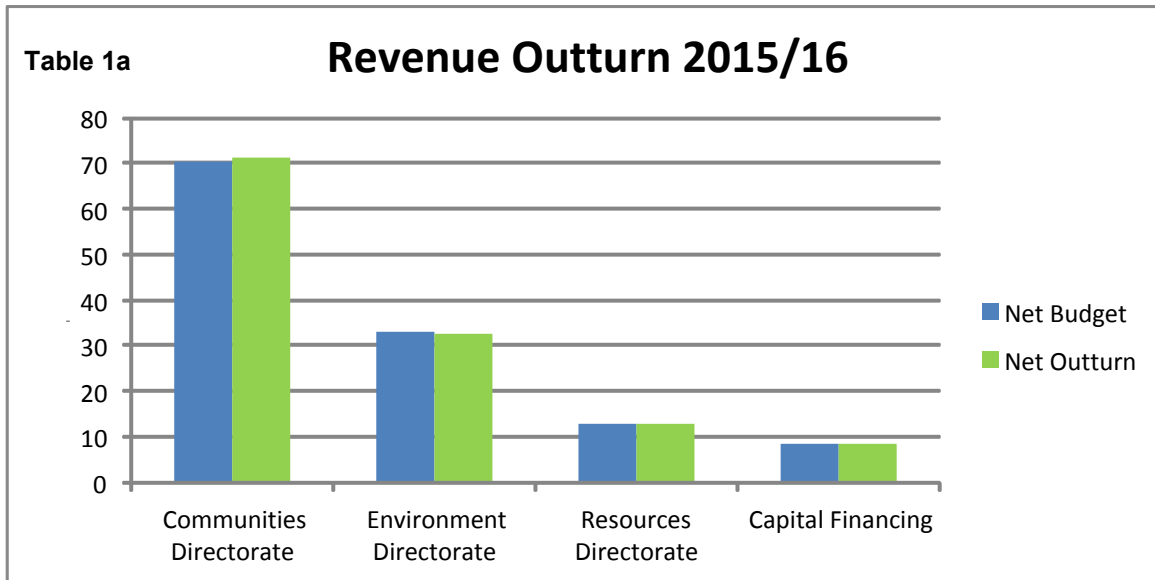
Financial Performance 2015/16

Revenue 2015/16

The Council set a net revenue budget for the 2015/16 financial year of £122.9m. After planned use of reserves of £2m, the approved budget was increased to £124.9m. The expenditure was funded by Government Grant (Revenue Support Grant), Retained business rates, council tax and other amounts including various smaller grants, as shown in the following chart:



The overall revenue outturn for 2015/16 was an over spend of £115k, which represents 0.09% of the net revenue budget and this has reduced the General Fund accordingly. A further movement to the General Fund in 2015/16 was a £1m reduction to establish an earmarked reserve for Schools in Financial Difficulty. The revenue outturn by Directorate is shown in the following table.



The final outturn was a good result in the context of having to manage significant pressures within its “demand led” services, most notably in Children and Family Services.

The Communities Directorate year end revenue position was an over spend of £832k which is 1.2% against a budget of £70.6m. The over spend was primarily the result of a £1.3m over spend within Children’s Services. Whilst the use of agency staff was a pressure across all social service functions, in this specific Service there were additional pressures from work arising from the Ofsted rating and increasing demand. Other pressures arose in Education, again from the demand led provision for Special Educational Needs (SEN), Home to School Transport and Disabled Children’s budgets.

The Environment Directorate year end revenue position was an under spend of £568k, which is 1.7% of the total net budget of £33m. Highways and Transport generated an under spend of £462k, Planning and Countryside £92k and Culture and Environmental Protection £11k. In the last quarter the Environment Directorate responded to the Corporate request to slow down all non essential spending to assist the overall budget position.

The Resources Directorate year end revenue position was an under spend of £149k, which is 1.2% of the total net budget of £12.8m. With the exception of Legal Services (£134k in year overspend), all services across the directorate generated under spends, the most significant being ICT and Corporate Support (£87k under spend). In Legal Services there were increased costs as a result of some high profile cases and Judicial Reviews.

A breakdown of the outturn by Service is shown in the following table with explanations of significant variances to budget explained below:

Narrative Report

2015/16 Budget Outturn by Service Table 1b	Current Net Budget 2015/16	Annual Net Expenditure 2015/16	Over/(under) spend 2015/16
	£000	£000	£000
Dedicated Schools Grant	(721)	(721)	0
Corporate Director - Communities	275	276	1
Adult Social Care	37,794	37,365	(429)
Care Commissioning, Housing & Safeguarding	5,813	5,454	(359)
Children's Services	15,108	16,457	1,349
Education	10,944	11,130	186
Adult Social Care Change Programme	1,050	1,050	0
Prevention and Developing Community Resilience	368	452	84
Communities	70,631	71,463	832
Corporate Director	164	161	(3)
Highways & Transport	7,648	7,186	(462)
Planning & Countryside	3,708	3,616	(92)
Culture & Environmental Protection	21,490	21,479	(11)
Environment	33,010	32,442	(568)
Chief Executive	514	489	(25)
Customer Services	2,028	1,954	(74)
Finance	1,931	1,925	(6)
Human Resources	1,168	1,157	(11)
Information Technology	2,755	2,668	(87)
Legal	980	1,114	134
Public Health	(88)	(88)	0
Strategic Support	3,590	3,510	(80)
Resources	12,878	12,729	(149)
Movement through Reserves	(207)	(207)	0
Capital Financing & Management	8,619	8,619	0
Levies and Interest	8,412	8,412	0
Total	124,931	125,046	115

Communities

The Adult Social Care Service Year End position was an under spend of £429k which was due to the downward pressure on the commissioning budgets attributed to the New Ways of Working in the service.

The Care Commissioning, Housing and Safeguarding Service Year End position was an under spend of £359k. The under spend was generated through utilising previously ring fenced grants, transferring clients funded from the supporting people budgets into Adult Social Care that meet eligibility criteria as part of the long term decommissioning of supporting people services and lower levels of applicants meeting the essential eligibility criteria for Discretionary Housing Payments.

Children's Services Year End position was an over spend of £1.35million. The over spend has arisen as a result of pressures on demand led budgets in year. The main areas of over spend in year have been the placement budget, joint arrangements and the Child Protection Teams. The placement budget funds both placements and allowances and was over spent as a direct result of increasing numbers of children accessing care. At the start of 2015-16, there were 282 children in receipt of care funded from the placement budget; at the end of the financial year 295 children were funded from the placement budget. Joint arrangements for Childcare Lawyers and the Emergency Duty Team £56k are demand led and have seen higher than anticipated levels of demand throughout 2015-16. In respect of Childcare Lawyers, in financial year 2014-15 there was a change in legislation that required all cases to be resolved within a 26 week timeline. As a result of the change the number of cases processed dramatically increased in 2014-15 which continued into the first quarter of 2015-16. Furthermore, the number of cases deemed complex which were processed in 2015-16 were higher than anticipated (13 cases), which increased the requirement for specialised support. The over spend within the three main Child Protection Teams (Contact, Advice and Assessment Service, West and East Locality Teams), is a direct result of agency usage caused by the national shortage of Social Workers and difficulties in recruiting permanent members of staff.

The Education Service Year End position was an over spend of £186k. The over spend position has been generated through in year pressures on the Special Educational Needs Home to School Transport Budgets, and the Disabled Children's residential care and community support budgets. The pressures have been partially offset by the implementation of service wide strategies to reduce non essential expenditure and where possible hold posts vacant.

The Prevention and Developing Community Resilience Service's Year End position was an over spend of £84k. The pressure occurred within the Quality Assurance and Safeguarding Service (QAAS) as a result of starting the financial year with 70% Agency workforce and an increased numbers of Child Protection Conferences resulting from an increased volume of referrals to Children Services following the post Ofsted Improvement Plan.

All other services had an outturn close to budget.

Environment

The Highways and Transport Service Year End position was an under spend of £462k. There have been in year pressures within the Service due to consultancy costs associated with the Sandford Development and the Newbury Transport Interchange. These have been managed by a continued increase in parking income and a saving in the winter service and emergency costs due to the mild weather. Income from car parking continued to perform well in the last quarter and there were reduced costs for emergencies and the winter service operation.

The Planning and Countryside Service Year End position was an under spend of £92k. During the year income from development control continued to increase, which helped the Service manage pressures arising from tree safety work and the loss of contributions from Newbury Town Council towards the Public Conveniences.

All other services had an outturn close to budget.

Resources

The Customer Services Year End position was an under spend of £74k which was as a result of a recruitment freeze, pension cost savings and legal cost recovery.

The ICT and Corporate Support Year End position was an under spend of £87k which was mainly due to a staffing restructure.

The Legal Services Year End position was an over spend of £134k. Pressures arose due to reduced income opportunities together with increased costs within the disbursements budget as a result of some high profile legal cases and Judicial Reviews.

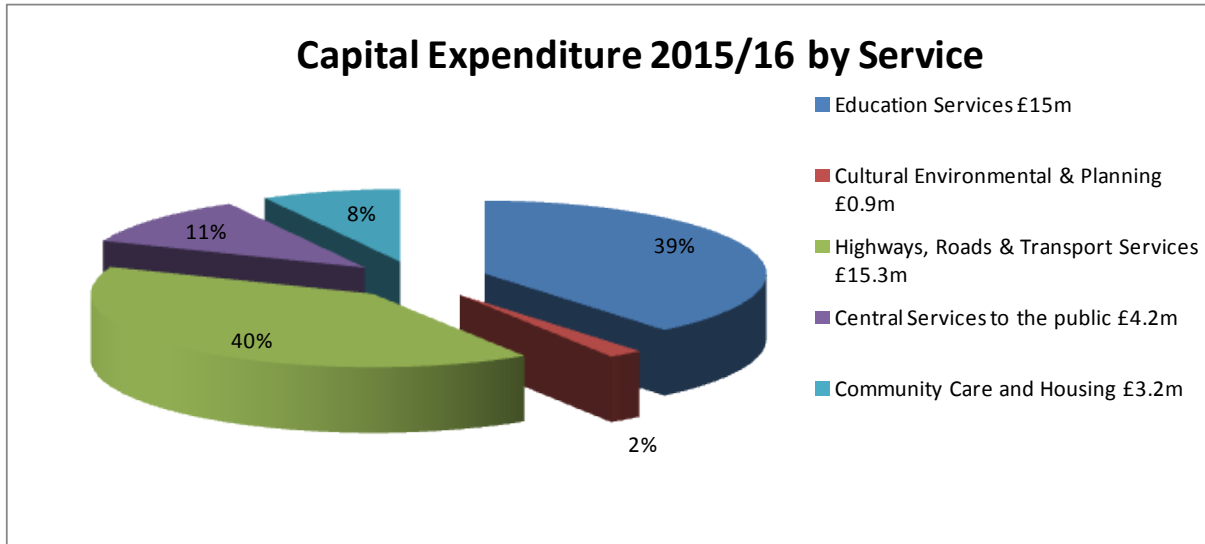
The Strategic Support Year End position was an under spend of £80k. Savings have been made in IT through a reduction in software packages, reductions in contributions to local voluntary agencies, lower costs of the Individual Electoral Reform changes, together with a deliberate slowing down of expenditure within the last quarter in line with Corporate guidance.

All other services had an outturn close to budget.

In contrast to the above table, the information presented in the Comprehensive Income and Expenditure Statement, reflects the categories of expenditure specified in the Chartered Institute of Public Finance and Accountancy's Service Reporting Code of Practice for Local Authorities (SeRCOP). Reconciliation between the two presentation formats is shown in Table 58 on page 80.

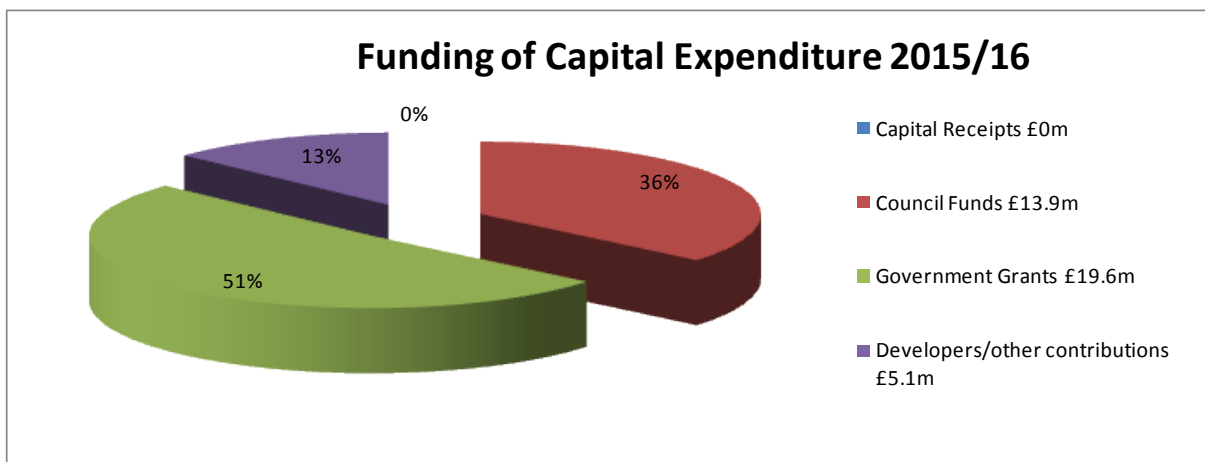
Capital 2015/16

The Council needs to invest a certain amount of capital each year to make sure that its assets (e.g. school buildings, roads, leisure centres) remain fit for purpose and in a good state of repair. The chart below shows the areas on which £38.6m capital was spent in 2015/16.



Wherever possible the investment in capital is funded from government grants, developers' contributions or through the sale of assets which the Council no longer needs. However, when there is not enough funding from these sources the Council needs to take out long term loans to help fund its capital investment.

The chart below shows how the Council's gross capital expenditure of £38.6m was funded. This shows that the majority of the Council's capital investment was funded from central government grants and the Council's own funds.



Plans for future Capital Investment

In March 2016 the Council approved a Capital Programme for the period 2016 to 2021 which allows for future investment in the following key areas:

- £57.1 million for new school places and improvements to school buildings;
- £55.0 million for maintenance and improvement of highways
- £1.5 million to facilitate the delivery of superfast broadband across West Berkshire;
- £11.6 million for occupational health equipment, home adaptations and supported living for older people and people with physical, sensory or learning disabilities and support for looked after children;
- £3.8 million for maintenance and improvement of parks, open spaces, sporting and cultural facilities.

Borrowing in 2015/16

In 2015/16 the Council took out new long term loans of £14.5m from the Public Works and Loans Board (PWLB) to fund capital expenditure and made principal repayments to the PWLB of £4.1m, bringing its total PWLB loans balance to £126.1m. Payments of £0.5m were made which reduced the level of debt embedded in the Private Finance Initiative (PFI) contract. This brought the Council's total level of long term loans (including PFI debt) to £141.6m as at 31 March 2016 (including payments due on long term loans during 2017/18).

The Council also needs to take out short term loans to cover its cash flow needs due to a number of peaks and troughs throughout the year. The short term loans are normally taken out for periods of less than one month. The cost of this borrowing is more than offset by the interest earned by the investment of the Council's surplus cash in peak periods. The Council had short term loans of £11m outstanding at the 31 March 2016. Together with £4.8m principal repayments made in the financial year 2015/16 in respect of PWLB loans and PFI debt, this makes a total short term borrowing balance of £15.8m.

The Council had a revenue budget of approximately £9.1m in 2015/16 for repayment of borrowing to fund capital expenditure. This amount will grow as a percentage of the Council's revenue budget in the coming years, though at a relatively slow level, as the amount of capital spend planned to be funded from borrowing will decrease over the next five years.

One outcome of the national economic position is low rates of borrowing from the PWLB. This has enabled the Council to borrow monies for the capital strategy at a very low rate; the other side of this is that return on short term investments is also comparatively low. As this Council does not hold any long term investments, this is not a great significance compared to some other Councils which hold larger investments and cash balances.

Changes in Capital Assets and Liabilities

The Council has not acquired any new assets or incurred any new liabilities (other than PWLB loans as referred to above) which are unusual in scale.

Cash Flow

The amount of cash held by the Council fluctuates throughout the year and within each month, depending on the dates on which major government grants are received and when large payments are made - in particular, weekly creditors payments and monthly salaries. In general terms, funds are high on the first working day of the month when a large proportion of council tax and government grant is received and low on the last working day of the month when the majority of staff salaries are paid. The Council's overall funds are lower at the end of the financial year, because most council tax is paid over ten months from April to January. The average level of cash balances held by the Council in 2015/16 (excluding schools' balances) was £11.2 million.

The amount of cash held by the Council does not equate to the total usable reserves shown on the Council's balance sheet. This is because we have chosen to minimise the amount borrowed to fund capital expenditure, by offsetting our borrowing needs against our reserves. This is in order to minimise the revenue cost of borrowing and to avoid the risks associated with investing large balances.

Each year we prepare a detailed short term cash flow forecast for the year ahead which takes account of all forecast expenditure in line with the revenue and capital budgets and revenue and capital related grants and other sources of income including future borrowing to fund capital expenditure. We also maintain a longer term (25 year) forecast of future borrowing to fund capital expenditure and the revenue costs of debt repayment. This takes into account the need to borrow in the future to fund capital expenditure incurred in previous years which was offset against reserves (i.e. to repay internal borrowing) and the need to repay maturity loans when they fall due.

Performance Measurement within the Council

The Council's Performance Management Framework describes the approach used to monitor progress against the strategic and operational plans of the Council.

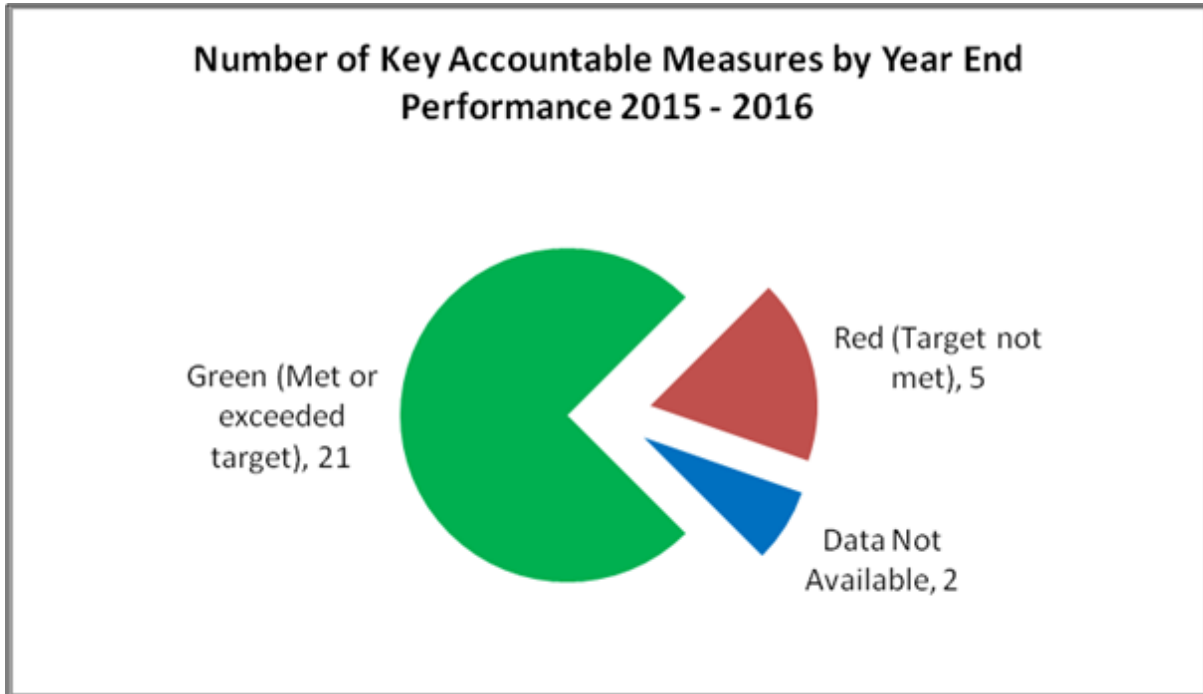
At the most strategic level key accountable measures are used to monitor progress against the overarching aim to 'Become an even more effective council' and each of the priorities for improvement included in the Council Strategy 2015-2019:

- Improve educational attainment
- Close the educational attainment gap
- Enable completion of more affordable housing
- Deliver or enable key infrastructure improvements
- Good at safeguarding children and vulnerable adults
- Support communities to do more to help themselves

The Council has a formal quarterly process for measuring its performance against its strategic objectives. Further details are provided in the section below on KPIs. This is coupled with a solid track record of financial management and delivery of its strategy against a backdrop of significant financial savings being achieved to Council services over recent years.

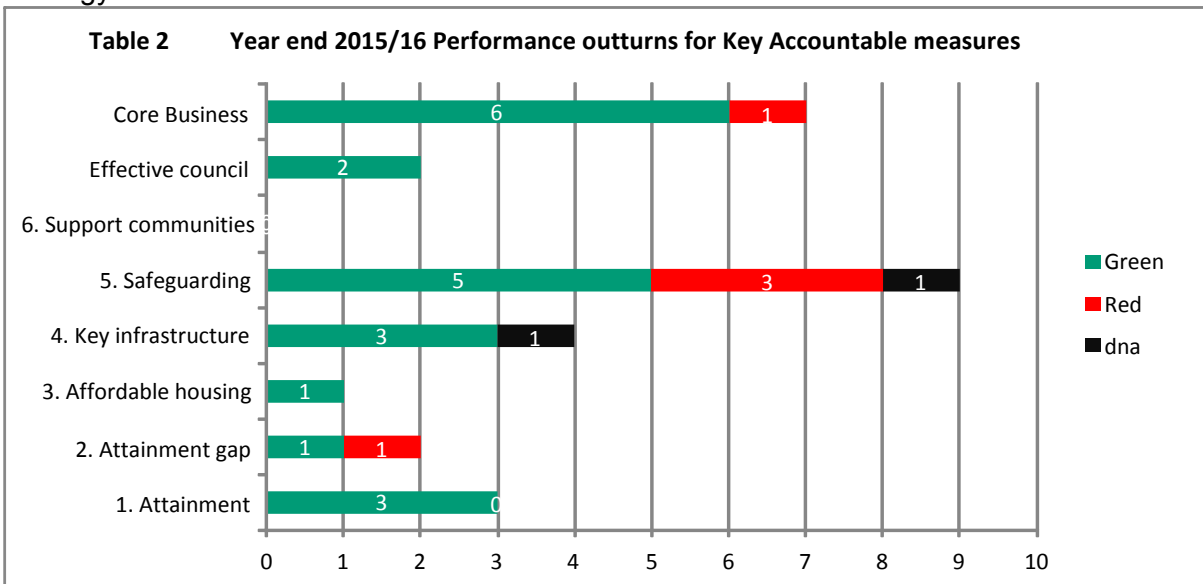
Key Performance Indicators of Progress in Achieving the Council’s Strategic Objectives

At the end of March 2016 a total of 28 key accountable measures were part of the reporting framework. At the time of producing this report data was available for 26 measures. In addition, a placeholder is being used against the ‘Supporting Communities’ priority until an appropriate strategic level measure is agreed.



End of year results were better than the expected targets for 21 measures (81%) and were (RAG) rated ‘Green’. The remaining 5 measures (19%) have not achieved the end of year targets or deadlines and were RAG Rated ‘Red’.

The table below highlights the performance achieved against each priority of the Council Strategy:



Full details on the performance results, including the exception reports for the five measures that have not achieved their targets, are available as part of the End of Year Performance reports for the Executive.

At the end of 2015/16, key accountable measures' overall performance (81% of measures 'Green') is above previous years' overall result (78% of measures rated 'Green').

Main Changes to the Core Statements and Significant Transactions in 2015/16

- **Fixed Assets**

There were no material assets acquired during the year by the Council. Taceham House and Land were sold to Sovereign Housing for £1 and in return the site will be used for affordable housing to meet identified housing needs and the Council will receive a lease for two properties owned by Sovereign for use as temporary accommodation to meet statutory homelessness duties. Taceham House and land were therefore removed from the Council's Asset Register, showing a loss of £294k. This loss is written out through the accounts so has no meaningful impact on the Council's current operation.

Within the 2015/16 accounts, infrastructure assets (highways, footways, bridges etc) are included within Property, Plant and Equipment on the Balance Sheet. In 2016/17 the Council will need to recognise a new asset category on the Balance Sheet, the Highways Network Asset. This will be disclosed as a separate line on the Council's Balance Sheet and separately in the notes to the accounts. This is as a result of changes to the 2016/17 Code of Practice which will require all Local Authorities to value their Highways Network Asset using a depreciated replacement cost basis rather than the current valuation basis of depreciated historical cost. It is expected that this change in accounting policy will result in a significant increase in the value of these assets and would normally require retrospective restatement of the Council's Balance Sheet from 1 April 2015. However, CIPFA/LASAAC has introduced transitional arrangements so that this will be applied from 1 April 2016 with no requirement to restate the information in the prior year. The Council is reviewing its transport infrastructure systems and data to ensure that it can meet the reporting requirements from 1 April 2016.

- **Collection Fund**

The Collection Fund deficit was £6,114k for the 2015/16 financial year (council tax £1,311k and non domestic rates £4,803k). The deficit is recovered as part of the council tax and non domestic rates setting process during the following financial year.

- **Pensions Liability**

The pension fund deficit is currently £239.9m, this reflects the value of pensions liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. This amount is written out through the accounts so has no meaningful impact on the Council's current operation, though it clearly reduces the Council's 'net worth' on the Balance Sheet. The council's pension fund has to be revalued every three years to set future contribution rates.

- **Unusual charges or credits in the Annual Accounts**

There were no unusual charges or credits in the Annual Accounts.

- **Significant changes in accounting policies**

There were no significant changes in accounting policies in the year 2015/16.

- **Change in statutory functions**

The main provisions of the Care Act 2014 came into force from April 2015, introducing the most significant changes to social care legislation for 60 years, however the Government has announced that it is delaying the cap on social care costs until April 2020. Despite the Government stating that it would meet the costs of the Care Act in full, the Council has been left to cover an annual funding gap of £3m. This is largely due to the introduction of the National eligibility criteria, which has resulted in West Berkshire Council meeting more needs of its clients.

The Health and Social Care Act 2012 introduced substantial changes to how the NHS in England is organised with responsibility for Public Health transferring to Local Authorities in 2013. This is funded by a ring-fenced grant and during 2015/16 additional grant was received to fund the children's 0-5 health visitor function.

As a result of the significant savings programme that has been put in place for 2016/17, a number of public facing cuts have had to be made. Whilst statutory functions are still being carried out, reductions will be made in many areas including library services and public transport.

- **Significant revenue contingencies or provisions including material write offs**

There were no significant contingencies, provisions or write offs during the year 2015/16.

- **Material events after the Balance Sheet Date 2015/16**

There have been no material events after the balance sheet date.

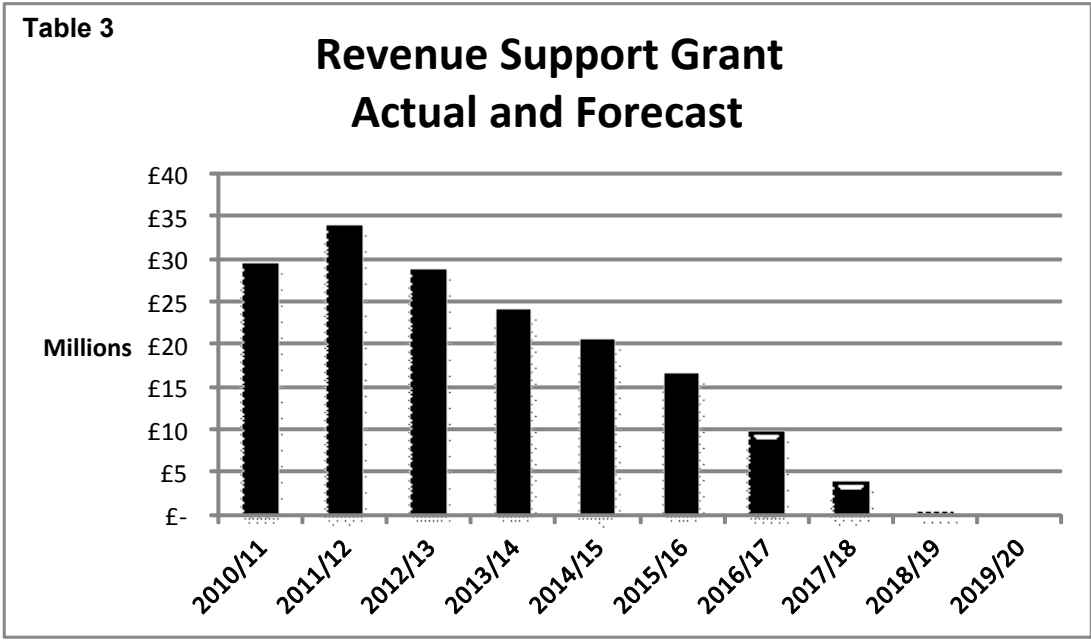
Economic climate and its impact on council services and future developments in service delivery

Since 2010, the Council has had to find revenue savings of around £36m due to:

- Reductions in funding from central government
- Cost pressures within services such as increased demands on children's placements, social worker recruitment, demand for social care and demand for services
- Greater volatility in financing from local business rate generation and the impact of large appeals
- The introduction of the Care Act 2014 where, despite the Government stating they would meet the costs in full, the Council has been left to cover an annual funding gap of £3m.
- Keeping council tax increases to a minimum, with no increases in four out of the last five years.

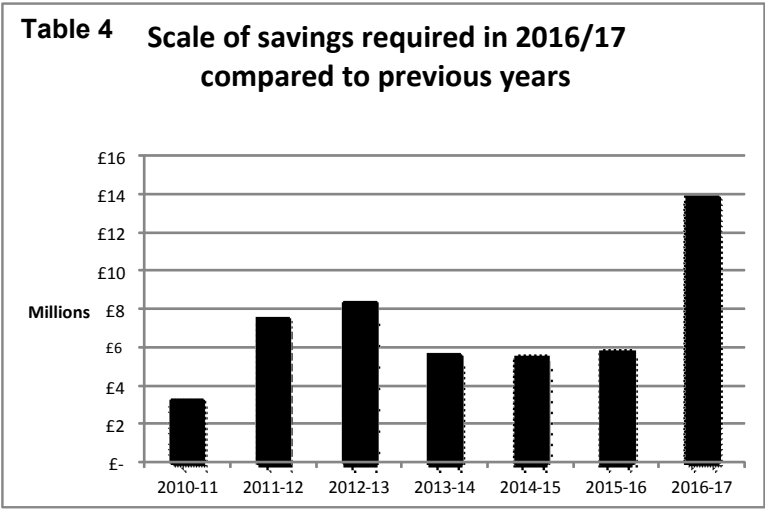
Savings have been achieved through finding efficiencies, staff reductions and transforming services. Despite the economic and financial challenges we have had to face, the Council has continued to deliver on the tasks that it set itself.

The 'Local Government Settlement 2016-17 and an Offer to Councils for Future Years' was announced in December 2015 making it clear that funding reductions will continue for at least the next four years. The settlement for West Berkshire was much worse than expected. In 2016/17 we will receive 44% less in Revenue Support Grant (RSG) than in 2015/16, equating to a loss of £7.6m. This is the third largest cut to RSG of all Unitary Authorities in England. Although we had planned for RSG to be cut by 25% year on year, the cuts to RSG are being applied much faster than expected. By 2019/20 we will no longer receive any RSG.



The Council's 2016/17 budget was set with a savings plan of nearly £14m, a Council tax increase of 1.99%, and a further 2% ring-fenced precept applied for Adult Social Care. The savings plans have impacted on our priorities and difficult decisions have had to be made. There is now less money and as a result there have been reductions to the library service, children's centres, home to school transport, public transport subsidy, highway maintenance, provision of care services and many others.

We are working with partners to find alternative ways of funding some services. We are transforming services by looking at alternative ways of delivery particularly in Adult Social Care and Children's Services. We are also raising income where we can. Savings proposals for future years will be part of the ongoing work programme during 2016/17 to 2019/20.



The Council's medium term financial strategy has been updated to reflect the provisional four year funding settlement announced in December 2015. The Council is facing a number of risks that will arise but cannot yet be quantified. The main items are the introduction of the National Living Wage, recruitment and retention of permanent social workers in Children's Services and increases in demand.

The Council needs to ensure that it has a robust financial structure on which to base its long term decisions and to prioritise available resources. Capital investment continues to ensure that core assets are maintained and protected. The level of the Council funded programme is planned to be approximately £10.5m in 2016/17 because of a relatively high level of capital receipts which we expect to apply to help boost investment in Superfast Broadband, Council ICT and to help meet the pressure on primary school pupil numbers. From 2017/18 onwards the ongoing level of new Council funded capital is expected to reduce to approximately £5.7m per year by 2019/20.

There needs to be sufficient levels of reserves for the Council to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation. As part of the budget setting process, the General Fund and Earmarked Reserves are reviewed in detail. The General Fund is at a low level and as such there is minimal planned use of reserves over the period of this strategy. The use of reserves is a one off solution and must be used prudently to ensure it does not undermine longer term budget sustainability.

The Local Government Settlement outlined a number of significant changes to local government funding which will have a significant impact on the Council's finances over the next four years. These included:

- Providing local authorities with the power to levy a 2% increase on council tax to fund adult social care
- By 2019/20, local government will retain 100% of business rate revenues to fund local services
- Greater flexibility for local authorities to use capital receipts to fund revenue costs of business transformation projects
- Real terms Public Health savings of 3.9% over the next five years
- Social care funds of £1.5bn to be made available by 2019/20 for local government, to be included in an improved Better Care Fund
- A National Funding Formula for Schools will be introduced in 2017/18

Conclusion

The Council has managed to achieve a comparatively low over spend and maintain levels of reserves to help manage financial risks during 2016/17. This has been achieved through the effective management of its finances over the past twelve months against a backdrop of continued local and national financial volatility.

Further information

If you have any questions or require further information on these accounts please contact:

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Annual Governance Statement

1 Scope of responsibility

- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 West Berkshire Council has approved and adopted a code of corporate governance, which is consistent with the principles of Governance in Local Government.
- 1.4 This statement explains how West Berkshire Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations.

2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which West Berkshire Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables West Berkshire Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Statement of Accounts.

3 The governance framework

- 3.1 The key elements of the systems and processes that comprise West Berkshire Council's governance arrangements are set out below and include arrangements for:
 - Identifying and communicating West Berkshire Council's Strategy that sets out its purpose and intended outcomes for citizens and service users;
 - Reviewing West Berkshire Council's Strategy and its implications for West Berkshire Council's governance arrangements;

- Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's Strategy and ensuring that they represent the best use of resources;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- Consultation on the budget and any proposed budget reductions are planned in good time and adhere to the Council's own consultation policy. As part of any consultation on the budget the Council is cognisant of the "Gunning" principles that require the Council to consult at the formative stage which would mean potential options being available for the residents to comment on. Clearly as the Council's budget reduces and the pressure on further reductions increases this approach becomes more difficult. However, where options are available the Council will seek the views of the residents. The Council will also continue to ensure that the requirements of an Equality Impact Assessment are met and ask our residents how a proposed reduction in service might impact on them and how they could help to mitigate the impact;
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, The Scheme of Delegation, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)";
- The Governance and Ethics Committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities";
- The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Conducting a regular review of the effectiveness of Internal Audit;
- Whistle blowing procedures for receiving and investigating complaints from staff or the public;
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training;

4 Review of effectiveness

4.1 West Berkshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within West Berkshire Council who have responsibility for the development and maintenance of the governance environment. The Audit Manager conducts the annual review and the next external review is planned for 2017/18.

4.2 The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework, and include:

- The work of the Finance and Governance Group reviewing the Constitution on annual

basis and referring changes to the Governance and Ethics Committee and Council;

- The work of the Risk Management Group and the Risk Management framework;
- The annual assurance statements produced by all Heads of Service;
- The work of the Governance and Ethics Committee;
- The work of the Standards Committee;
- The work of Internal Audit; and
- The work of the Overview and Scrutiny Management Commission.
- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman and external auditor, KPMG.
- Commissioning regular external peer reviews by the Local Government Association.

4.3 We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Governance and Ethics Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant governance issues identified in the Annual Governance Statement (AGS) for 2014/15

5.1 The following is an outline of the significant governance issues that were identified in preparing the 2014/15 AGS.

- Children Services, OFSTED review – the practice issues identified in children and family services in 2014/15 and addressed through the implementation of the recruitment and retention package and related measures had not been sufficiently improved by the time OFSTED inspected the service in March 2015. As a result the service was judged to be inadequate for “help and protection” and therefore inadequate for “overall effectiveness”. As a consequence of this judgement the Department of Education is considering issuing the Council with an “Improvement Notice”. The form this will take, and whether an Improvement Board will be required, is currently under discussion between the Council and the DfE.
- Resourcing service delivery – The Council’s Medium Term Financial Strategy highlighted a funding gap of very significant proportions that has impacted on the Council’s ability to deliver the outcomes set out in the Council Strategy. Key unfunded pressures included:
 1. Care Act funding, was subject of a Judicial Review taken by the Council against the Department of Health
 2. Moving the Children’s Service from an “inadequate” to a “good” rating, as set out in the Council Strategy
 3. Placement costs for Children’s Services
 4. John O’ Gaunt School funding gap
 5. Volatility around the business rate retention.
 6. The budget, planned for July 2015 and subsequent “Spending Review” may result in further grant cuts, greater than allowed for in current plans.

5.2 The following measures were implemented during 2015/16:

- Children's Services, OFSTED review - The Council implemented the Improvement Plan that was prepared in response to the OFSTED inspection judgement.
- Resourcing – The Council has drawn up and is implementing a savings programme that should ensure the Council is able to deliver services within significantly reduced, but nevertheless balanced, budget for 2016-17.

6 Significant Governance Issues identified in 2015/16

6.1 The following is an outline of the significant governance issues identified in 2015/16.

- The Council is facing a number of Judicial Reviews in connection with the delivery of planned savings. If the outcome of these is adverse this will impact on the Council's ability to deliver the 16/17 savings programme.
- The Council's financial position remains very challenging.

6.2 The following measures will be implemented during 2016/17:

- The Council has a good record of defending Judicial Reviews, and will seek to continue to do so.
- The Council will monitor the delivery of savings that have already been approved, and will work to ensure a balanced budget can be set for 2017/18.

Signed:

Nick Carter – Chief Executive

Roger Croft – Leader of the Council

Independent auditor's report to the members of West Berkshire Council

We have audited the financial statements of West Berkshire Council for the year ended 31 March 2016 on pages 26 to 88. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, 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 Authority, 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes 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, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 18 to 21 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on West Berkshire Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority 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.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2015, as to whether West Berkshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Berkshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, West Berkshire Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, West Berkshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the financial statements of West Berkshire Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Ian Pennington
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
United Kingdom
CF10 4AX

September 2016

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Authority, for the purposes of this requirement for the 2015/16 financial year, that officer is the Head of Finance
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Annual Accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Council's Annual Accounts. This is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2016).

In preparing these Annual Accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Local Authority Code.

The Head of Finance has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Accounts present a true and fair view of the financial position of West Berkshire Council as at 31 March 2016.

Andy Walker
Head of Finance dd mm yyyy

Comprehensive Income and Expenditure Statement

2014/15			Comprehensive			2015/16		
Expenditure	Income	Net Expenditure	Income & Expenditure Statement	Expenditure	Income	Net Expenditure		
£000	£000	£000	Table 05	Note	£000	£000	£000	£000
Net Expenditure on Continuing Services								
59,807	(12,317)	47,490	Adult social care		67,791	(10,877)	56,914	
9,616	(1,701)	7,915	Central Services		7,188	(2,562)	4,626	
13,532	(1,633)	11,899	Cultural & Related Services		10,938	(1,426)	9,512	
23,650	(3,583)	20,067	Environmental & Regulatory Services		24,081	(3,639)	20,442	
5,031	(1,762)	3,269	Planning Services		4,826	(1,895)	2,931	
154,916	(108,923)	45,993	Education and Children's Services		149,152	(107,900)	41,252	
32,535	(15,153)	17,382	Highways and Transport Services		35,179	(18,013)	17,166	
48,199	(42,501)	5,698	Housing Services		47,014	(41,987)	5,027	
4,779	(4,878)	(99)	Public Health		5,591	(5,454)	137	
760	(1,078)	(318)	Non-Distributed costs	9a	524	0	524	
352,825	(193,529)	159,296	Net Cost of Services	9b	352,284	(193,753)	158,531	
		(106)	(Gain) / loss on the disposal of non current assets				270	
		3,648	Precepts to Parishes	9d			3,710	
		140	Levies Payable				142	
		113	(Surpluses)/deficits on trading undertakings	7			659	
		3,795	Other Operating Expenditure				4,781	
		(399)	Interest Receivable	13a			(432)	
		(386)	(Surpluses) / deficits on investment properties	17a			1,272	
		7,930	Remeasurement of net defined benefit liability	10d			8,116	
		5,353	Interest Payable and similar charges	13a			5,767	
		12,498	Financing and Investment Income and Expenditure				14,723	
		175,589	Net Operating Expenditure				178,035	
		(80,223)	Income from Council Tax				(81,133)	
		(19,219)	Income from Business Rates				(18,305)	
		(27,604)	Non Ring Fenced Government Grants	8b			(25,914)	
		(25,155)	Capital Grants and Contributions	8b/26			(29,189)	
		(152,201)	Taxation and Non Specific Grant Income				(154,541)	
		23,388	Surplus or Deficit on Provision of Services				23,494	
		5,056	(Surplus) / deficit on revaluation of Fixed Assets	25b			(18,092)	
		54,473	Actuarial (gains) / losses on pension funds	10d			(24,045)	
		59,529	Other Comprehensive Income & Expenditure				(42,137)	
		82,917	Total Comprehensive Income & Expenditure				(18,643)	

Balance Sheet

2014/15	Balance Sheet		2015/16	
£000	Table 06	Note	£000	£000
	Property, plant and Equipment			
192,775	Buildings	16a	205,486	
69,910	Land	16a	64,325	
141,832	Other	16a	151,067	
0	Assets Under Construction	16a	0	
<u>404,517</u>				420,878
8,811	Investment properties	17b		7,590
413,328	Total Property, Plant and Equipment			428,468
107	Long Term Debtors			122
<u>413,435</u>	TOTAL LONG TERM ASSETS			428,590
	Current Assets			
4,000	Short term investments	13a	500	
16	Inventories	19a	24	
15,892	Short term debtors	20	17,998	
4,046	Assets held for sale	16a	3,218	
2,939	Cash and cash equivalents	21	994	
<u>26,893</u>	TOTAL CURRENT ASSETS			22,734
440,328	TOTAL ASSETS			451,324
	Current Liabilities			
(12,643)	Short term borrowing	13a	(15,813)	
(36,707)	Short term creditors	22	(26,924)	
<u>(49,350)</u>	TOTAL CURRENT LIABILITIES			(42,737)
390,978	TOTAL ASSETS LESS CURRENT LIABILITIES			408,587
	Long term Liabilities			
(876)	Provisions	23	(350)	
(478)	Contributions deferred account		(452)	
(250,135)	Pension liability	10f	(239,935)	
(111,594)	Borrowings PWLB	14c	(121,882)	
(15,468)	PFI liability	18b	(14,898)	
<u>(378,551)</u>				(377,517)
12,427	TOTAL ASSETS LESS LIABILITIES			31,070
	Reserves			
7,967	General Fund	24a	6,352	
2,233	Working Balances	24a	2,780	
12,036	Earmarked Reserves	24a	12,089	
21,258	Capital Reserves	24a	25,767	
<u>43,494</u>	Usable Reserves	24a		46,988
(31,067)	Unusable reserves	25		(15,918)
<u>12,427</u>	TOTAL RESERVES			31,070

Movement in Reserves Statement

Movement in Reserves Statement 2015/16 Table 07	General	Earmarked	Capital	Working	Capital	Reserves		Total Authority Reserves		
	Fund	GF	Receipts			Balances	Reserves		Usable	Unusable
	Balance	Reserves	Reserve			£000	£000		£000	£000
Balance as at 31 March 2015	7,967	12,036	0	2,233	21,258	43,494	(31,067)	12,427		
Surplus or (deficit) on provision of services	(23,494)	0	0	0	0	(23,494)	0	(23,494)		
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	42,137	42,137		
Comprehensive Expenditure & Income	(23,494)	0	0	0	0	(23,494)	42,137	18,643		
Adjustment required due to statutory accounting policies	22,479	0	169	0	4,340	26,988	(26,988)	0		
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(1,015)	0	169	0	4,340	3,494	15,149	18,643		
Transfers to / (from) Earmarked Reserves	(600)	53	0	547	0	0	0	0		
Increase / (Decrease) in Year	(1,615)	53	169	547	4,340	3,494	15,149	18,643		
Balance as at 31 March 2016	6,352	12,089	169	2,780	25,598	46,988	(15,918)	31,070		

Movement in Reserves Statement 2014/15 Table 07b	General	Earmarked	Capital	Working	Capital	Reserves		Total Authority Reserves		
	Fund	GF	Receipts			Balances	Reserves		Usable	Unusable
	Balance	Reserves	Reserve			£000	£000		£000	£000
Balance as at 31 March 2014	8,451	12,301	0	2,360	18,884	41,996	53,348	95,344		
Surplus or (deficit) on provision of services	(77,860)	0	0	0	0	(77,860)	0	(77,860)		
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	(5,294)	(5,294)		
Comprehensive Expenditure & Income	(77,860)	0	0	0	0	(77,860)	(5,294)	(83,154)		
Adjustment required due to statutory accounting policies	76,984	0	0	0	2,374	79,358	(79,358)	0		
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(876)	0	0	0	2,374	1,498	(84,652)	(83,154)		
Transfers to / (from) Earmarked Reserves	392	(265)	0	(127)	0	0	237	0		
Increase / (Decrease) in Year	(484)	(265)	0	(127)	2,374	1,498	(84,415)	(82,917)		
Balance as at 31 March 2015	7,967	12,036	0	2,233	21,258	43,494	(31,067)	12,427		

Cash Flow Statement

2014/15	Cash Flow Statement		2015/16	
£000	Table 08	Note	£000	£000
	Operating Activities			
99,286	Taxation		124,581	
203,414	Grants		206,036	
989	Rents		941	
1,847	Sale of goods and rendering of service		25,081	
399	Interest received		432	
449	Other receipts from operating activities		408	
306,384	Cash inflows generated from operating activities			357,479
(100,689)	Cash paid to and on behalf of employees		(145,420)	
(39,993)	Housing benefit paid out		(40,024)	
(3,648)	Precepts paid		(3,710)	
(126,359)	Cash paid to suppliers of goods and services		(138,647)	
(5,353)	Interest paid		(5,767)	
(19,862)	Other payments for operating activities		(21,244)	
(295,904)	cash outflows from operating activities			(354,812)
10,480	Net cashflows from operating activities	27		2,667
	Investing activities			
(30,489)	Purchase of property plant and equipment		(38,561)	
(51,500)	Purchase of short and long term investments		(10,000)	
(49,609)	Other payments for investing activities		(41,964)	
342	Proceeds from sale of PPE and investment properties		169	
51,500	Proceeds from the short and long term investments		13,500	
53,312	Other receipts from investing activities		42,334	
(26,444)	Net cash flows from investing activities			(34,522)
	Financing activities			
101,680	cash receipts of short and long term borrowing		86,404	
260	other receipts from financing activities		263	
(81,980)	repayments of short and long term borrowing		(53,060)	
(874)	other payments for financing activities		(758)	
19,086	Net cashflows from financing activities			32,849
3,122	Net increase/decrease in cash and cash equivalents			(1,945)
(183)	Cash and cash equivalents at the beginning of the reporting period			2,939
2,939	Cash and cash equivalents at the end of the reporting period	21		994

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(1) Statement of Accounting Policies

I. General principles

The purpose of the Statement of Accounting Policies is to explain the basis of measurement that has been used in the preparation of the Financial Statements. The Annual Accounts summarise the Council's transactions for the 2015/16 financial year and its position at the year end 31 March 2016.

The Financial Statements for 2015/16 are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) issued by The Chartered Institute of Public Finance and Accountancy (CIPFA), Financial Reporting Standards (FRS) and where appropriate the International Accounting Standards (IAS). The Accounting convention adopted is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments. The Annual Accounts have been prepared on a 'going concern' basis.

There are no instances in the Annual Accounts where the fundamental accounting concepts have not been followed. The Annual Accounts can contain estimated figures, where the actual figure is not known. Estimates are made taking into account historical experience, current trends and other relevant factors. There are no items in the Balance Sheet at 31 March 2016 for which there is believed to be a significant risk of material adjustment in the forthcoming financial year.

The Council has to consider all their interests and to prepare a full set of Group Accounts where they have material interests in subsidiaries, associates or joint ventures. West Berkshire Council currently has no interests that necessitate the production of Group Accounts.

II. Post Balance Sheet Events

Post Balance Sheet Events are included in the notes to the core Financial Statements as they occur and represent significant transactions / events which are known to have taken place since the Balance Sheet date.

III. Accruals of Income and Expenditure

All revenue income and expenditure relating to the financial year is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventory on the Balance Sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- Interest payable on borrowing and receivable on investment is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised in the accounts but cash has not been received nor paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.

An exception to this rule is the periodic costs such as gas and electricity, which are included in the accounts on a payments basis and are not considered material to the accounts.

Accruals are not made for capital expenditure, but unspent capital funds are carried forward to the next financial year to cover any commitments which are outstanding at year end. This does not follow CIPFA guidance as the recommended practice expects the use of accruals based accounting that is recognising items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the Code. The Council is of the opinion that the time required to produce these accruals is not cost effective. The capital expenditure is written out through the accounts so has no meaningful impact on the Council's current operation or on the Comprehensive Income and Expenditure Statement, although it will have a minor impact on the Council's 'net worth' on the Balance Sheet. The level of the accrual has been estimated to be about £2 million which is 0.46% of the total value of Fixed Assets on the Balance Sheet.

IV. Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council's policy is to include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

V. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution (If there are no 'conditions' the grant is reflected as income immediately). There must also be reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet under creditors. When conditions are satisfied the grant or contribution is moved to the relevant service revenue account.

Where capital grants have been credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund through the Movement in Reserves Statement.

VI. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year.

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the revaluation reserve against which they can be written-off.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account.

VII. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the General Fund balance on the Statement of Movement in Reserves, so there is no impact on the level of council tax.

VIII. Employee Benefits

VIII (a) Salaries and Wages

The cost of salaries and wages has been included in the accounts based on 12 months and 52 pay weeks.

In line with (IAS 19), an accrual has been made for leave and flexible hours owing at year end. The accrual is based on a three year historic sample of leave owing and then averaged out to give a total for the whole Council. No adjustment has been made for other employee costs.

VIII (b) Pension Schemes and Discretionary Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme (Berkshire Pension Scheme) is administered by The Royal Borough of Windsor and Maidenhead.
- The NHS Pension Scheme.

All schemes provide defined benefits to members (retirement lump sums and pension), earned as employees working for the Council.

The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service revenue account is charged with the employer's contribution payable to the Teachers' Pension Scheme in the year.

The NHS Pension Scheme is also accounted for as if it were a defined contributions scheme.

The Berkshire Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Berkshire Pension Scheme attributed to the Council are included in the Balance Sheet on an actuarial basis using the Projected Unit Method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.

Liabilities are discounted to their value at current prices using a discount rate. (The discount rate is the yield on the Merrill Lynch Non Gilt Sterling AA over 15 year

Corporate Bond index, with an adjustment to reflect the liabilities relative to the duration of the index.)

The assets of the Berkshire Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year;
 - past service cost – the change in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years or from plan curtailments;
- Gains or losses on settlements - transactions that eliminate all further legal or constructive obligations for part or all of the benefits provided under the plan.
- Administration expenses are those that are directly related to the management of plan assets. These have been charged to the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability - is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period and adjusted for contribution and benefit payments during the year.
- Re-measurements comprising:
 - differences between the return on plan assets and interest income on plan assets calculated as part of the net interest on the net defined benefit liability;
 - actuarial gains and losses which result from events not coinciding with assumptions made at the last actuarial valuation or the actuaries updating the assumptions.
- Contributions paid into the Berkshire Pension Scheme, and
- Benefits paid.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Berkshire Pension Scheme in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension scheme and any amounts payable to the pension scheme but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits: The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied in the Berkshire Pension Scheme.

Redundancy policy: It is the Council's policy to minimise the impact of organisational change on its employees and to redeploy employees whenever possible. Therefore redundancies and redundancy payments only occur when absolutely necessary and in agreement with Trade Unions.

When redundancy payments are applicable, it will be as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

It is the Council's policy not to offer enhanced pension payments on termination of employment.

IX. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The full cost of overheads and support services is shared between users in proportion to the benefits received.

The costs of the Corporate and Democratic Core have been separately identified and are not borne by the revenue services. This category is defined by the SeRCOP and accounted for within the Central Services heading of the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

X. Investment Property

Only properties that the Council holds solely to earn rental income or capital appreciation are classed as Investment Properties. These properties are not used by the Council in its daily business. Initially Investment Properties are valued at cost and are then re-valued annually.

XI. Heritage Assets

FRS 30, Heritage Assets, has been adopted by the Council. Heritage Assets are those assets held by the Council for cultural, environmental or historical reasons in relation principally to their contribution to knowledge and culture.

XII. Property, Plant and Equipment (PPE)/Other information re Fixed Assets

Only assets with a value of £5k or more are counted as fixed assets.

Fixed assets are initially valued at cost, comprising all expenditure that is directly attributable to that asset, on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors, known as the RICS Red Book.

CIPFA guidance allows Councils to choose whether to depreciate its assets at either the mid-point through the year or at the end of the year. West Berkshire Council's assets have been depreciated at the end of the year.

Fixed assets are classified into the groupings shown in the Balance Sheet under the following headings:

- Land and Buildings, shown at fair value
- Plant and Equipment, shown at depreciated historical cost
- Infrastructure Assets, shown at depreciated historical cost
- Community Assets, shown at depreciated historical cost
- Investment Properties, shown at market value
- Assets Under Construction, shown at historical cost
- Assets Held for Sale, shown at fair value.

Assets included in the Balance Sheet at fair value are re-valued, as a minimum, every five years, except for Investment Properties which are re-valued annually. All increases in valuations are matched by credits to the Revaluation Reserve as unrealised gains.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

If an impairment loss was identified on a fixed asset it would be charged to the Comprehensive Income and Expenditure Statement. If there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss would be transferred from the Revaluation Reserve to the Capital Adjustment Account.

When an asset is sold, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital Receipts are credited to the Usable Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow.

Where an item of Property Plant or Equipment is made up of components that have different asset lives, International Accounting Standard 16 (IAS 16) requires the components to be recognised as separate assets. West Berkshire Council splits Fixed Assets into components where components are either 10% of the asset's value or have value of more than £250k. These assets are recognised either at the time of purchase or on revaluation.

In accordance with IAS 16, depreciation is provided for on all Fixed Assets with a finite useful life.

All Fixed Assets, with the exception of Freehold Land, Community Assets, Investment Properties and Assets under Construction are depreciated,

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by a valuer, between 10 and 60 years
- Vehicles, Plant and Equipment - straight line allocation over the life of the asset, mainly 10 years
- IT Assets are depreciated over 5 years
- Infrastructure – straight line allocation, between 10 and 40 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where assets have been componentised, components can be depreciated over different asset lives, but they will always be in the same asset class.

Fixed Assets Held for Sale are initially measured and carried at fair value in the Balance Sheet. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the

amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Capital Adjustment Account and the gain/loss is recognised in the Surplus or Deficit on the Provision of Services. The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement.

Where assets are identified as impaired because of a past event, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Deferred Capital Receipts are amounts derived from the sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages and sales of council houses.

Capital Receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure or to repay debt.

Under the Local Government and Housing Act 1989 a specific proportion of each capital receipt must be set aside or “reserved”; normally only the usable element is available to the Council.

XIII. Inventories and Work in Progress

Inventories are shown in the Balance Sheet on a cost basis. This is compliant with IAS 2, which recommends valuation at the lower of cost or net realisable value.

XIV. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be

required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities and Contingent Assets arise where an event has taken place that gives the Council a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of economic benefits will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

XV. Financial Instruments

The term 'Financial Instrument' covers both financial assets and liabilities and includes debtors, creditors, the Council's borrowings, PFI liabilities and investment transactions. It broadly covers the instruments used in the treasury management activity of the Council, including the borrowing and lending of funds and the making of investments.

Loans raised by the Council are mainly through the Public Works Loans Board (PWLB). All interest is charged to the Comprehensive Income and Expenditure Statement.

As part of its interest and debt management, on occasion the Council may repay loans before their maturity date; usually receiving a discount or incurring a premium. Such gains and losses on premature repayment of debt are recognised in the Comprehensive Income and Expenditure Statement in the year they occur, unless they meet the modification test in The Code (i.e. the present values of the debt restructured has not changed significantly). Otherwise they are adjusted through the Financial Instruments Adjustment Account (FIAA) in accordance with statutory criteria.

Where PWLB borrowing is repaid and replaced on the same day, gains and losses are amortised using the effective interest rate method provided the modification test criteria set out in The Code are met. For financial assets and liabilities carried at fair value, the fair value has been determined using discounted cash flow analysis. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the General Fund Balance.

Provisions for Bad Debts have been established in respect of general debtors in accordance with the CIPFA code of practice. The level of the provision has been set to provide adequate cover based upon an aged debt profile as at 31 March 2016.

Borrowings The loan debt held by Berkshire County Council (BCC) when it was abolished due to local government reorganisation as at the 31 March 1998 amounted to approximately £220m. The portfolio of debt consisted entirely of Public Works Loans Board (PWLB) loans, of which some £40m was deemed to be West Berkshire's liability as part of the disaggregation process. At that time it was agreed by all the Berkshire councils that the total debt would be administered by Reading Borough Council as part of their role as Designated Council overseeing the closure of the BCC accounts.

The Prudential Code presented the opportunity for this Council and other Berkshire councils to take back the direct management of the remaining part of the ex BCC loan debt. The transfer took place with effect from 1 December 2005 and at that time £28.92m of PWLB debt was transferred to West Berkshire Council.

The level of Investment required to fund the Capital Programme currently over and above the level of external funding available is borrowed from the Public Works Loans Board.

Investments are shown in the Balance Sheet at cost.

Interest has been credited to certain reserves at the year-end based on the average level of balances during the year. The balance of the interest received (after the amount credited to reserves) has been credited to the General Fund.

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For most of the borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Financial Assets: Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Fair Value estimations: With the exception of its long term loans from the Public Works and Loans Board (PWLB), the fair value of all the Council's financial assets and liabilities is deemed to be equal to their carrying value. This is because these assets and liabilities are, for the most part short term in nature (i.e. < one year). The fair value of the Council's long term PWLB loans as shown in the statement of accounts is calculated by the PWLB.

Capital Financing: The Prudential Code Framework places the emphasis for capital expenditure on affordability. Local councils themselves decide how much they can afford to borrow, the costs of this borrowing being met from the revenue budget.

Every year, a borrowing limit and annual investment strategy is produced, which is approved by full Council.

Instruments Entered into Before 1 April 2006: The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Annual Accounts to the extent that provisions might be required or a contingent liability note is needed.

XVI. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the Fixed Assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are charged to revenue to reflect the value of services received in each financial year.

Prepayments: A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the Council at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the General Fund to remove any impact on council tax or rents.

Reversionary Interests: The Council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the Council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (unenhanced) and a Reversionary Interest Asset has been created in the Council's Balance Sheet.

As the asset is stated initially at net present value, the discount will need to be unwound over the life of the scheme by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the Council.

Residual Interests: Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value (including residual interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the payment charged to the revenue account.

PFI Credits: Government grants received for PFI schemes, in excess of current levels of expenditure.

XVII. Leases

The Council has acquired some land, buildings, vehicles and equipment by means of operating leases. In accordance with current accounting procedures the operating leases are not stated in the Balance Sheet. Rentals are charged to revenue in accordance with the terms of the lease. The Council did not enter into any finance lease agreements during the year.

XVIII. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts to the General Fund. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and put against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for Tangible Fixed Assets and Retirement Benefits. These do not represent usable resources for the Council. Both Usable and Unusable Reserves are explained in note 24.

XIX. VAT

Income and expenditure in the Council's accounts excludes any amounts related to VAT. VAT is reconciled and accounted for to HM Revenues and Customs on a monthly basis.

(2) Accounting Standards issued not adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following standard has been issued and will be adopted by the Code in 2016/17 and applicable to the Council from 1 April 2016.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code, Transport Infrastructure Assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. This separate class of asset will be called the Highways asset.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset category. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period.

In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

(3) Critical judgements

In applying the accounting policies set out in note 1, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events:

- The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process.
- In 2014/15 in order to comply with appropriate accounting standards the Council undertook a review of schools' assets. As a result the Council recognises school assets for Community Schools on its balance sheet. The Council has not recognised assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Foundation schools as it is of the opinion that these assets are not controlled by the Council. In the case of VA and VC schools these were deemed to be owned by the relevant dioceses after consultation and review. The transfer of schools to Academies is recognised as a disposal from the Council's balance sheet on the date the school converts to Academy status.

(4) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4a Asset Valuations

These are based on market prices and are periodically reviewed to ensure that the Council does not misstate its non-current assets and investment properties.

The Council's external valuer provided valuations as at 1st April 2015 for all the Council's investment portfolio and circa 20% of its operational portfolio. The remaining balance of Operational properties was also reviewed to ensure values were reflective of current appropriate values. Investment properties were valued in line with new requirements.

The consequences if the actual results differ from the assumption:

A reduction in the estimated valuations would result in reductions in the Revaluation Reserve and or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's investment properties was to reduce by 10%, this would result in a circa £759k charge to the Comprehensive Income and Expenditure Statement.

An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. The net book value of non-current assets subject to potential revaluation is over £205m.

4b Pensions Liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounted rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments.

The Council is part of the Berkshire Pension Scheme, which is administered by the Royal Borough of Windsor and Maidenhead, who provide advice about the assumptions to be applied.

The consequences if the actual results differ from the assumption:

The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis. Although the pension liability is written out through the accounts so has no meaningful impact on the Council's current operation, it clearly reduces the Council's 'net worth' on the Balance Sheet.

4c Business Rates (NNDR) – safety net

Following the 2010 revaluation of business hereditaments and more recent legislation changes relating to the timing of appeals, we have seen an increased level of appeals.

Successful appeals will negatively impact on the yield, especially with the majority being back dated to 2010 when determined. This is particularly so with larger hereditaments, where the appeals process requires the use of specialist valuers and protracted negotiations.

As at the end of March 2016, 874 appeals in respect of 677 properties remain outstanding with the Valuation Office, with around 10 new appeals being received each month. A provision has been made for the estimated successes of future appeals for losses for the period to the end of March 2016, based on the success rate of appeals by class of property and the average percentage reduction obtained.

In 2013 when the Government introduced the Business Rates Retention Scheme, a safety net system was put in place to protect the Council from losses below 92.5% of the baseline funding level. The safety net level for West Berkshire Council is set at £1.2m below the funding baseline of £16.4m.

The consequences if the actual results differ from the assumption:

The Council's overall financial losses, beyond an initial amount, are protected by the safety net. Any variance to our assumptions affects the scale of the provisions for both bad debts and appeals. This however is offset by a movement in the levy payable to the Government for growth in business rates or safety net entitlement. (This is accrued for at year end).

4d Fair Value estimations – of Land and Buildings

Fair Value estimations – of Land and Buildings

The Council's Investment properties include industrial units, offices and farms. These properties (and any surplus properties and properties held for sale, but not yet under offer) are valued annually by RICS qualified valuers taking into account:

- Market values of similar properties
- Yields
- Void and letting periods
- Size
- Configuration
- Location
- Condition
- Lease Covenants
- And obsolescence.

Properties which are considered to have unobservable inputs, where market evidence is not available, include community centres, sports centres and libraries. 20% of these properties are revalued each year, as part of a rolling programme, on the basis of depreciated replacement value.

The firm of Wilkes, Head & Eve were employed as valuers in 2015/16. All valuations are carried out in accordance with the professional standards of the Royal Institute of Chartered Surveyors (the RICS Red Book); International Reporting Standards (IFRS) and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting. All the valuations submitted by the external valuers are reviewed by

the Council's valuation expert, who regularly consults with accountants reporting directly to the Chief financial officer on all valuation matters.

The consequences if the actual results differ from the assumption:

The Council uses a combination of techniques, to measure the fair value of its Investment Properties, surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate.

Some of the significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area, and repairs backlogs. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

4e Provision for Doubtful Debts

As at the 31 March 2016 the Council had an outstanding balance of short term debtors totalling £17.8 m. A review of the major areas of debt has led to an updated provision against doubtful debts of £2.9m. It is not certain that this provision would be sufficient as the Council cannot assess with certainty which debts will be collected or not.

The consequences if the actual results differ from the assumption:

An understatement of doubtful debts would lead to a future adjustment in the accounts. The provisions held are based on policies adapted to the nature of the debt and service area, past experience and success rates experienced in collection. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its doubtful debt provisions.

(5) Prior Year Adjustments

There are no prior year adjustments.

(6) Post Balance Sheet Events

There were no material events after the end of the financial year which need to be reported.

(7) Trading operations

West Berkshire Council operates a 'buy-back' scheme for schools in West Berkshire. Schools are able to procure services from the open market; some schools chose to buy services from the Council. The services provided by the Council include property, payroll, HR, finance, ICT, health & safety, insurance and tree management. These are classified as internal trading accounts.

The Council also has some external trading accounts primarily to do with leased car insurance and commercial properties. The total income, expenditure and deficit are:

2014/15			Trading Operations	2015/16		
Expenditure £000	Income £000	Deficit £000	Table 09	Expenditure £000	Income £000	Surplus £000
1,753	(1,504)	249	External Trading Accounts	9,264	(8,739)	525
10,670	(10,806)	(136)	Internal Trading Accounts	10,523	(10,389)	134
12,423	(12,310)	113	Net (surplus) / deficit	19,787	(19,128)	659

(8) Income

8a The income from council tax shown in the Comprehensive Income and Expenditure Account is the amount that West Berkshire received net of major preceptors. Any amounts owing to or from major preceptors is shown within debtors or creditors.

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the provider of the funding. The balances at the year- end are shown in the Balance Sheet as receipts in advance and will show in the Comprehensive Income and Expenditure Account once the condition has been met.

8b Principal grant income

Notes to the Financial Statements

2014/15 £000	Grant Income Table 10	2015/16 £000
Credited to taxation and non specific grant income		
7,424	Revenue Support Grant	2,739
2,003	Council Tax Freeze Grant	2,816
6,720	Council Tax Support Funding	6,653
73	Lead Local Flood Authority Funding	72
74	Homelessness Prevention Funding	73
2,278	Early Intervention Grant	1,880
0	Local Services Support Grant	105
2,210	NHS Funding Social Care	0
0	Better Care Fund	4,339
0	Local Welfare Provision	149
1,960	Learning Disability Health Reform Grant	1,922
2,262	New Homes Bonus	3,062
2,479	Education Services Grant	2,031
0	Community Safety Grant	73
121	Other	0
<u>27,604</u>	Total Non Ring Fenced Government Grants	<u>25,914</u>
7,857	Section 106 Contributions	4,705
17,298	Capital Grants	24,484
<u>25,155</u>		<u>29,189</u>
Credited to services		
88,090	Dedicated Schools Grant	88,483
40,831	Housing Benefit Grant	40,159
10,515	Learning Support Council, Skills & Educ Funding Agencies	11,172
4,819	Public Health	5,410
2,312	Private Finance Initiative	2,312
0	Housing Benefit Administration	456
379	Troubled Families	371
0	Independent Living Fund	351
263	Unaccompanied Asylum Seekers	290
279	Youth Offending	242
253	Discretionary Housing Payments	171
0	Council Tax Admin & Support	140
0	BRR RSG - Other	95
2,914	Other Specific Government Grants	1,281
<u>150,655</u>	Total	<u>150,933</u>

(9) Expenditure

9a Non-distributed costs

These amounts in the Net Cost of Services of the Comprehensive Income and Expenditure Account are primarily due to redundancy costs, pension past service costs and a late pension adjustment.

9b Net cost of services

Includes depreciation charges for the use of Property, Plant and Equipment (PPE), impairment costs associated with PPE, Revenue Expenditure Funded from Capital under Statute(REFCUS) that is capital expenditure on assets that do not belong to the Council, IAS 19 pension costs and movements in Reserves. These are subsequently reversed through Movement through Reserves, so that the net effect on the amount to be met from Government Grants and local taxation is zero.

9c Pooled services

The pooled budget for Community Equipment was established 1 April 2004 under Section 31 of the Health Act 1999. The agreement exists between the six Unitary Authorities in Berkshire and the Primary Care Trusts covering the same geographical area. The pooled budget is administered by the lead authority, Slough Borough Council. The aim of the partnership is to improve the integration of health and social care community equipment services to meet user need.

2014/15 £000	Berkshire Community Equipment Service Table 11	2015/16 £000
Funding provided to the pooled budget		
(489)	West Berkshire	(661)
(4,066)	Berkshire clinical commission groups	(4,533)
(1,735)	Other unitary authorities	(2,070)
<u>(6,290)</u>	Total income	<u>(7,264)</u>
Expenditure met from the pooled budget		
489	West Berkshire	661
4,066	Berkshire clinical commission groups	4,533
1,735	Other unitary authorities	2,070
<u>6,290</u>	Total expenditure	<u>7,264</u>

9d Parish Council Precepts

Parish Councils are required to precept on the Council, which in turn precepts on the Collection Fund. The total precept is £3,722k (2014/15: £3,655k), of which £12k (2014/15: £7k) represents special expenses for the maintenance of closed church yards, giving a net £3,710k (2014/15: £3,648k) figure as the precepts to the Parishes.

(10) Employee benefits

10a Exit packages

The Council terminated the contracts of a number of employees in 2015/16. These officers were from all areas in the Council and were made redundant as part of the Council's restructuring of its services.

Exit package banding	2014/15				2015/16			
	Compulsory redundancies	Other departures	Total exit packages	Total cost £000	Compulsory redundancies	Other departures	Total exit packages	Total cost £000
COUNCIL								
Up to £19,999	5	3	8	55	16	1	17	125
£20,000 - £39,999	2	2	4	114	2	0	2	53
£40,000 - £59,999	2	0	2	97	0	0	0	0
£60,000 - £79,999	2	0	2	144	0	0	0	0
	<u>11</u>	<u>5</u>	<u>16</u>	<u>410</u>	<u>18</u>	<u>1</u>	<u>19</u>	<u>178</u>
SCHOOLS								
Up to £19,999	16	4	20	172	25	3	28	178
£20,000 - £39,999	3	3	6	142	2	1	3	82
	<u>19</u>	<u>7</u>	<u>26</u>	<u>314</u>	<u>27</u>	<u>4</u>	<u>31</u>	<u>260</u>

10b Remuneration Benefits

The number of employees whose remuneration including redundancy costs but excluding pension contributions was £50k or more in bands of £5k:

Remuneration Bandings	Schools				Council Staff				TOTALS			
	Number of employees		Left during year		Number of employees		Left during year		Number of employees		Left during year	
Table 13	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£50k-£54k	28	29	1	1	36	42	2	0	64	71	3	1
£55k-£59k	28	27	0	0	8	8	0	0	36	35	0	0
£60k-£64k	9	17	0	0	18	17	1	0	27	34	1	0
£65k-£69k	9	9	0	0	9	8	1	0	18	17	1	0
£70k-£74k	3	3	0	0	2	3	0	0	5	6	0	0
£75k-£79k	2	2	0	0	1	3	0	0	3	5	0	0
£80k-£84k	4	0	0	0	9	10	0	0	13	10	0	0
£85k-£89k	3	6	1	1	1	1	0	0	4	7	1	1
£90k-£94k	1	1	0	0	1	0	0	0	2	1	0	0
£95k-£99k	1	0	0	0	0	1	0	0	1	1	0	0
£100k-£104k	0	1	0	0	1	1	0	0	1	2	0	0
£105k-£109k	0	0	0	0	1	1	0	0	1	1	0	0
£130k-£134k	0	0	0	0	1	0	1	0	1	0	1	0
£135k-£139k	0	0	0	0	1	1	0	0	1	1	0	0
	<u>88</u>	<u>95</u>	<u>2</u>	<u>2</u>	<u>89</u>	<u>96</u>	<u>5</u>	<u>0</u>	<u>177</u>	<u>191</u>	<u>7</u>	<u>2</u>

Notes to the Financial Statements

The table below discloses the salary information of those individuals who are on the Council's Corporate Board, as well as those individuals whose salary is over £150k.

Executive Remuneration		Salary (Including fees & allowances)	Benefits in Kind	Remuneration excluding pension contributions	Pension contributions	Remuneration including pension contributions
Table 14		£	£	£	£	£
Chief Executive - Nick Carter						
Resources	2015/16	138,418	0	138,418	22,414	160,832
	2014/15	138,418	0	138,418	21,480	159,898
Corporate Directors						
Environment	2015/16	108,438		108,438	17,545	125,983
	2014/15	106,751	0	106,751	16,543	123,294
Communities	2015/16	104,438		104,438	17,545	121,983
	2014/15	102,779	0	102,779	16,543	119,322
Deputy Director						
Communities	2015/16	85,185		85,185	13,723	98,908
	2014/15	89,522	0	89,522	13,849	103,371
Senior Council Personnel						
Head of Legal Services	2015/16	83,310	0	83,310	13,408	96,718
	2014/15	82,022	0	82,022	12,642	94,664
Head of Human Resources	2015/16	81,900	1,861	83,761	13,408	97,169
	2014/15	82,022	0	82,022	12,642	94,664
Head of Finance	2015/16	79,810	3,062	82,872	13,408	96,280
	2014/15	81,101	0	81,101	12,642	93,743
TOTAL	2015/16	681,499	4,923	686,422	111,451	797,873
TOTAL	2014/15	682,615	0	682,615	106,341	788,957

10c Members' expenses

The following amounts were paid to members of the Council during the year:

2014/15 £000	Members' expenses Table 15	2015/16 £000
456	Salaries	510
15	National Insurance	17
24	Pensions	1
0	Training	2
1	Employee Expenses	0
23	Car Allowance	22
8	Members Expenses	2
<u>527</u>		<u>554</u>

10d Retirement Benefits

Under International Accounting Standards (IAS) 19 Employee Benefits, certain disclosures are required in the Council's accounts. The Reporting Standard requires specific entries to the Balance Sheet and the Comprehensive Income and Expenditure Account relating to the net asset / liability recognised in relation to the Council's share and demands (actual and future) of the Berkshire Pension Fund.

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) administered by The Royal Borough of Windsor and Maidenhead for the Royal County of Berkshire Pension Fund. This is a defined benefit scheme, where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The LGPS is now a career average scheme for benefits built up from 1st April 2014 meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Policy is determined in accordance with the LGPS Regulations.

The date of the last actuarial report received by the Council was the 31 March 2016. IAS 19 requires the Council to recognise the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made to the Comprehensive Income and Expenditure Account, in the Net Cost of Services and the financing and investment section.

Notes to the Financial Statements

2014/15 £000	Local Government Pension Scheme Table 16	2015/16 £000
	Comprehensive Income and Expenditure account	
11,922	Current service cost	15,038
106	Past service cost, including curtailments	51
<u>12,028</u>	Total Service Cost	<u>15,089</u>
	Financing and investment income and expenditure	
16,873	Interest cost	15,503
<u>(8,943)</u>	Interest on scheme assets	<u>(7,387)</u>
<u>7,930</u>	Total post employment benefit charged to the surplus or deficit on the provisions of services	<u>8,116</u>
	Other post employment benefit charged to the comprehensive income and expenditure statement	
	Remeasurement of the net defined benefit liability comprising:	
<u>(9,703)</u>	Return on assets less interest	10,977
0	Actuarial (gains) and losses arising on change in demographic assumptions	0
63,939	Actuarial (gains) and losses arising on change in financial assumptions	<u>(34,815)</u>
0	Liabilities assumed / (extinguished) on settlements	0
0	Settlement prices received / (paid)	0
238	Experienced loss / (gain) on defined benefit obligations	<u>(361)</u>
0	Other actuarial gains / (losses)	0
152	Administrative expenses	<u>154</u>
<u>54,626</u>	Total post employment benefit charged to the comprehensive income and expenditure statement	<u>(24,045)</u>
<u>74,584</u>	Net Charge / Net surplus to the Comprehensive Income and Expenditure Account	<u>(840)</u>
	Movement in Reserves Statement	
<u>(74,584)</u>	Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits	840
8,513	Actual amount charged against the General Fund balance for pensions in the year	9,360
<u>(66,071)</u>	Net liability arising from the defined benefit obligation	<u>10,200</u>

The re-measurements on defined liabilities required by the revised IAS19 standard are a gain of £24,045k in 2015/16 (2014/15 they were a loss of £54,473k) and are included within the Other Comprehensive Income and Expenditure line on the Comprehensive Income and Expenditure Statement.

10e Assets and Liabilities in relation to retirement benefits: The net pensions to be recognised are made up of two main elements.

Liabilities: the retirement benefits that have been promised under the formal terms of the pension scheme. These liabilities are measured on an actuarial basis, estimating the future cash flows that will arise from the liabilities discounted back to their present values.

2014/15 £000	Funded Liabilities Table 17	2015/16 £000
383,520	Opening balance	468,117
11,922	Current service cost	15,038
16,873	Interest cost	15,503
63,939	Change in financial assumptions	(34,815)
3,295	Contributions by scheme participants	3,436
238	Actuarial (gains) and losses	(361)
(11,215)	Estimated benefits paid net of transfers in	(11,758)
106	Past service costs, including curtailments	51
(561)	Unfunded pension payments	(560)
468,117	Closing balance	454,651

Assets: the Council's attributable share of the investments held in the pension scheme to cover the liabilities are valued at 'bid value'.

2014/15 £000	Fair Value of Scheme Assets Table 18	2015/16 £000
199,457	Opening balance	217,982
8,943	Interest on assets	7,387
9,703	Return on assets less interest	(10,978)
(152)	Administrative expenses	(154)
8,513	Employer contributions including unfunded	9,360
3,295	Contributions by scheme participants	3,436
(11,776)	Estimated benefits paid plus net transfers in	(12,318)
217,982	Closing balance	214,715

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in their respective markets.

10f Scheme History: The underlying assets and liabilities for retirement benefits attributable to the Council (including a percentage of the Berkshire County Council pension fund) at 31 March 2016 are:

Present value of Scheme Liabilities Table 19	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present value of Liabilities	(332,188)	(356,471)	(383,520)	(468,117)	(454,651)
Fair value of Assets	177,223	194,575	199,457	217,982	214,715
(Deficit) in the scheme	(154,965)	(161,896)	(184,063)	(250,135)	(239,935)
Experience loss/(gain) on defined benefit obligation	1,013	(559)	(16,523)	(238)	(361)
Return on plan assets in excess of interest	(11,053)	9,135	(3,162)	9,654	(10,978)

The liabilities show the underlying commitments that the Council has in the long run to pay in respect of retirement benefits. However statutory arrangements for funding the deficit, allow that the deficit on the Scheme will be corrected by increased contributions over the remaining working life of employees, as assessed by the Scheme Actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Council's liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme. The main assumptions used in their calculations are:

2014/15	Principal actuarial assumptions	Table 20	2015/16
Mortality assumptions			
Longevity at 65 for current pensioners:			
22.8	Men		22.9
26.1	Women		26.2
Longevity at 65 for future pensioners:			
25.1	Men		25.2
28.4	Women		28.6
3.3%	Rate of Inflation		3.3%
2.5%	CPI increase		2.4%
4.3%	Rate of increase in Salaries		4.2%
2.5%	Rate of increase in Pensions		2.4%
3.4%	Rate of discounting scheme liabilities		3.7%
50.0%	Take-up of option to convert annual pension into retirement lump sum		50.0%

Assets held by the whole fund and analysed in terms of the investments in which they are held as at 31 March 2016 are:

31/03/15		Pension fund assets Table 21	31/03/16	
£000	%		£000	%
96,855	45%	Equities	97,080	46%
2,945	1%	Gilts	3,057	1%
29,653	14%	Other Bonds	28,781	14%
25,889	12%	Property	24,535	12%
11,532	5%	Cash	10,586	5%
0		Alternative assets		
37,319	17%	Target Return	39,500	18%
8,221	4%	Commodities	6,918	3%
9,056	4%	Infrastructure	10,032	5%
(7,787)	-4%	Longevity Insurance	(8,415)	-4%
213,683	100%	Total	212,074	100%

The Council paid an employer's contribution of £8.1m (2014/15: £7.9m). This provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary, based on triennial actuarial valuations. Under the Scheme Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. In addition, the Council is responsible for all early releases of benefit payments, these amounted to £133k (2014/15: £137k).

10g Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council paid employers' contributions of £5.9m (2014/15: £5.4m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% up to 31/8/15, then an increase to 16.48% (2014/15: 14.1%) of pensionable pay.

The Council is also responsible for all pension payments relating to added years benefits awarded together with the related increases.

10h NHS Pension Scheme

The NHS Pension Scheme is also accounted for as if it were a defined contributions scheme. The Council paid employers' contributions of £16.7k (2014/15: £15.6k) to the NHS Pension Scheme.

(11) Related Party Transactions

The Council is required to disclose any material transactions that have taken place with related parties, bodies or individuals that could affect the decision making process within the Council. Transactions with Precepting Authorities, payments to the pension fund, levies to other bodies and Government departments are shown in the Collection Fund, notes to the Comprehensive Income and Expenditure Statement and the Cash Flow Statement. The list below represents the Council's material transactions over £100k with other related parties during the financial year.

2014/15 £000	Related Parties Table 22	2015/16 £000
366	Corn Exchange Theatre Trust	320
971	West Berkshire Mencap	0
206	Vodafone Ltd	278
583	Reading Borough Council	0
557	Bucks, Berks & Oxon Wildlife Trust	0
87	Sovereign Housing Association	161
0	Berkshire Healthcare	739
0	Volunteer Centre West Berkshire	136
<u>2,770</u>	Total	<u>1,634</u>

Council members have declared an interest in the following organisations:

The Corn Exchange Trust
 The Greenham Common Community Trust
 The Sovereign Housing Association
 The Thames Valley Police Authority
 Vodafone Ltd
 West Berkshire Mencap (2014/15)
 Royal Berkshire Fire and Rescue Authority

No Chief Officers nor their close relations or members of the same household have disclosed any declarable transactions with the Council. This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest. The Council has prepared this disclosure in accordance with its current interpretation and understanding of IAS 24 and its applicability to the public sector utilising current advice and guidance.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework with which the Council operates, provides some of the funding and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

(12) Auditor's Fees

In 2015/16 the following fees were incurred relating to external audit.

14-15 £000	Audit fees Table 23	2015/16 £000
129	Fees payable to KPMG with regard to external audit services	97
(13)	Rebate from the Audit Commission with regard to external services	0
18	Fees payable to KPMG with regard to grants audit	11
<u>134</u>	Total	<u>108</u>

(13) Financial Instruments

The Council has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice and set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

13a Financial Instrument balances

The investments, lending & borrowing disclosed on the Balance Sheet are made up as follows:

Financial Instrument Balances Table 24	Long Term		Short Term	
	31/03/15 £000	31/03/16 £000	31/03/15 £000	31/03/16 £000
Cash and Investments				
Loans and receivables	0	0	4,000	500
Available-for-sale financial assets	0	0	0	0
Unquoted equity under available for sale	0	0	0	0
Cash and cash equivalents	0	0	2,939	994
Total Investments	0	0	6,939	1,494
Debtors				
Financial assets carried at contract amount	0	0	11,574	11,403
Borrowings				
Financial Liabilities at amortised cost	127,062	136,780	12,643	15,813
Financial Liabilities at fair value through profit and loss	0	0	0	0
Cash and cash equivalents	0	0	0	0
Other Borrowing	0	0	0	0
Total Borrowings	127,062	136,780	12,643	15,813
Creditors				
Financial Liabilities carried at Contract	0	0	25,725	20,522

Notes:

Interest paid on long term borrowing was £4,767k (2014/15: £4,341k)

Interest paid on the credit arrangement within the PFI contract was £977k (2014/15: £1,008k)

Interest paid on short term borrowing was £23k (2014/15: £3.5k)

Total interest paid £5,767k (2014/15: £5,353k)

Interest earned on investment was £432k (2014/15: £399k)

13b Fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is:

31/03/15			31/03/16	
Carrying Amount £000	Fair Value £000	Fair value of liabilities and assets Table 25	Carrying Amount £000	Fair Value £000
Fair value of liabilities carried at amortised cost				
20,505	32,875	PWLB Maturity Loans	20,505	32,964
91,089	118,669	Other PWLB Loans > 1 Year	101,377	130,841
15,468	15,468	Other Long term Borrowing	14,898	14,898
12,643	12,643	Short term borrowing	15,813	15,813
139,705	179,656	Total Financial Liabilities	152,593	194,516
Fair value of assets carried at amortised cost				
2,939	2,939	Cash and cash equivalents	994	994
4,000	4,000	Building society & other deposits > 3 months	500	500
6,939	6,939	Total Financial assets	1,494	1,494

Notes

Short Term Borrowing

Short term borrowing at the 31 March 2016 consisted of £11m (2014/15: £8.0m) cashflow loans of less than 1 year; £4.2m (2014/15: £4.1m) principal due to be repaid on PWLB annuity loans within one year, plus £0.6m (2014/15: £0.5m) principal due to be repaid within one year on the credit arrangement within the PFI waste management contract.

Long Term Borrowing

All PWLB maturity loans were inherited from the former Royal County of Berkshire in December 2006.

The balance due over more than 1 year on annuity loans from the PWLB, which West Berkshire Council has taken out since April 2005, to help fund investment in capital assets, is £101.4m (2014/15: £91.1m)

Other long term borrowing consists of the principal outstanding on the credit arrangement within the PFI contract which is due to be repaid over more than one year.

Cash and Cash Equivalents

The balance at 31 March 2016 consists of external investments due within three months, cash and cash held at banks

(14) Nature and extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Notes to the Financial Statements

Credit Risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers.

14a Investments

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2016 and shows that all deposits outstanding as at 31 March 2016 met the Council's credit rating criteria at that date:

Investments Table 26 Counter party	Credit rating criteria met		Balances invested as at 31/03/16					Total £000
	When placed	On 31/03/16	< 1 mth	>1 mths <3	>3 mths <6	>6 mths <12		
	Yes/No	Yes/No	£000	£000	£000	£000		
Other Local Authorities	N/A	N/A	0	0	0	500	500	
Call Accounts with UK Banks	Yes	Yes	781	0	0	0	781	
Total			781	0	0	500	1,281	

Note

£781k held in call accounts at 31 March 2016 is included in the cash and cash equivalent table.

14b Doubtful receivables

The invoiced debt has been reviewed by age to determine an appropriate provision for debts not likely to be collectable.

Balance 31/03/15 £000	Bad Debt Provision £000	Invoiced Receivables Doubtful Debt Table 27	Bad Debt Provision %	Balance 31/03/16 £000	Bad Debt Provision £000
4,210	42	Current		3,234	32
1,046	63	Over 30 days		1,527	92
378	38	Over 60 days		190	19
135	34	Over 90 days		92	23
292	146	Between 120 to 365 days		265	133
213	192	Between 1 and 2 years		177	159
90	81	Between 2 and 3 years		133	120
220	220	Earlier years		190	190
6,584	816			5,808	768

Deferred Payment Agreements of £1,195k (2014/15: £983k) are excluded from the above debt provision as they are secured on property

Housing Benefit aged debt assumed recovery is 50% for those under some form of payment scheme, otherwise 100% provision is made for those with no payment scheme and where the debt is over one year.

14c Liquidity Risk: The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and the Public Works Loans Board (PWLB) for any purpose relevant to its statutory functions or for the purpose of the prudent management of its financial affairs. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The approved prudential indicator limits for the maturity structure of debt and the limits on investments greater than one year in duration are the key parameters used to address this liquidity risk. The Council does not normally invest for more than one year. The maturity structure of financial liabilities and assets are as follows (at nominal value):

31/03/15 £000	Liquidity Risk Table 28	31/03/16 £000
Loans outstanding		
111,594	PWLB loans for more than one year	121,882
15,468	Other Long Term PFI Borrowing	14,898
12,643	Temporary Borrowing	15,813
139,705	Total	152,593
12,643	Less than 1 year	15,813
55	Between 1 & 2 years	0
678	Between 2 & 5 years	2,680
11,774	Between 5 & 15 years	10,130
114,555	More than 15 Years	123,970
139,705	Total	152,593

14d Market Risk: The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The Council's policy is to aim to keep a maximum of **50%** of its borrowings in variable rate loans. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. During the Financial Year and at 31 March 2016, the Council had no financial loan instruments with variable rates of interest.

(15) Heritage Assets

The Council has two heritage assets. Neither of these assets are disclosed in the Balance Sheet since the cost of obtaining reasonable valuations would not be commensurate with the benefits to users of these statements.

15a The Berkshire Record Office (archives of the Royal County of Berkshire)

In 1998, Berkshire County Council was abolished and succeeded by six unitary authorities. Under the terms of the Order dissolving the County Council and creating Unitary Authorities in Berkshire, the Record Office remained a county-wide service, with West Berkshire Council acting as the Archive Council whilst due to the location of the Record Office location, Reading Borough Council was deemed, under a service level agreement, the Host Council. All six authorities entered into a joint agreement for the funding and management of the service; the current agreement runs until 31 March 2028.

The Berkshire Record Office holds archives representing 900 years of the Royal County of Berkshire's history, including records of county, district, unitary authority and parish councils, the church, magistrates' courts, schools, charities, businesses, local voluntary associations, families and individuals. Records are available for study in the Record Office search room for administrative, legal, educational and recreational purposes, and any interested member of the public is welcome to register as a reader.

The Record Office continues to acquire documents that contribute to our knowledge of the county's past. Recent acquisitions include the records of Yattendon Church of England School, Pangbourne and District Volunteer Centre, and Berkshire County Cricket Club. Recent projects have included the conservation of the records of Broadmoor Hospital (generously funded by The Wellcome Trust), the publication of a new index to the important collection of probate records (1480-1857), and a collaboration with Reading University to bring fresh perspective to the story of 'Oscar Wilde and Reading Gaol'. Members of staff also regularly give talks to local organisations about the work of the Record Office, and are happy to arrange visits for local groups.

15b West Berkshire Museum Collections

There has been a public museum in Newbury since 1843 but the current museum and its collections were established in 1904 when the Cloth Hall had been refurbished in memory of Queen Victoria.

The current collections cover Natural Sciences, Geology, Archaeology, Social & Local History, Fine Art, Decorative Art, Costume, Photographs and Local Studies Resources.

The majority of the collections are of local or regional significance but there are some items of national significance such as the Bronze Age material within archaeology; Civil War material within archaeology; Egyptology from the Earl of Carnarvon; some of the local history material, particularly the Kennet & Avon Canal material; the world collections material is also of national significance because it was assembled by Harold Peake, one of the Museum's first curators, to illustrate his theory of comparative archaeology. The collections of international significance include: Mesolithic material in archaeology and material relating to the Greenham Common peace camps.

The Museum collects material that supports the Sense of Place theme for audience development, exhibitions, outreach, and collection development; enabling community engagement and dialogue to reflect local communities in displays and explore individual and community identities. During 2015/16 the museum welcomed 27,500 visitors. The collections were used to work with community groups such as Berkshire, Buckinghamshire and Oxfordshire Wildlife Trust (BBOWT), West Berkshire Ethnic Minority Forum, Newbury Camera Club and Newbury Scouts to produce 10 new exhibitions, most notably the Civil War exhibition, "King and Cause". The collections were also utilised in working with local schools throughout West Berkshire and to inspire Family Friendly workshops at the museum.

Notable new acquisitions during 2015 have included material relating to the Greenham Common protests including a “getaway” tent and banners made by Greenham women, a collection of implements from Newbury Community Hospital and Sandleford Hospital, a large collection of ephemera and photographs from a local collector and photographs from a Land Girl stationed in West Berkshire during WWII. A particular highlight is the purchase of 8 gold staters or Iron Age coins found in Sulhamstead, purchased with the support of of Sulhamstead Parish Council, the Headley Trust and Arts Council England/Victoria and Albert Museum Purchase Grant Fund.

(16) Non Current Assets

The following table shows the current value of the Council’s fixed asset register including the movement in the fixed assets due to depreciation, revaluations, disposals, impairments and additions from the capital programme.

16a Fixed Assets

Movements in Property, Plant & Equipment & Investment Properties 2015/16 Table 29	Land &	Plant &	Infrastructure	Community	Investment	Assets		TOTAL £000
	Buildings £000	Equipment £000	Assets £000	Assets £000	properties Assets £000	Sub	for sale Total £000	
Valued at Current value								
Book Value @ 01/04/15	300,772	22,567	192,086	9	8,223	523,657	4,559	528,216
Revaluations	4,081	0	0	0	0	4,081	0	4,081
Impairments	(8,246)	0	0	0	(558)	(8,804)	0	(8,804)
Reclassifications	0	0	0	0	(709)	(709)	709	0
Other Movements	(587)	0	0	0	634	47	0	47
Additions	11,194	2,747	15,354	4	0	29,299	0	29,299
Disposals	0	0	0	0	0	0	(2,050)	(2,050)
Book Value @ 31/03/16	307,214	25,314	207,440	13	7,590	547,571	3,218	550,789
Depreciation @ 01/04/15	(37,508)	(14,669)	(58,152)	0	0	(110,329)	(513)	(110,842)
Charged to services	(15,130)	(2,303)	(6,563)	0	(19)	(24,015)	0	(24,015)
On revalued assets	15,289	0	0	0	0	15,289	0	15,289
Depreciation on impaired assets	0	0	0	0	0	0	0	0
Other Movements	(67)	0	0	0	19	(48)	0	(48)
On disposal	0	0	0	0	0	0	513	513
Balance @ 31/03/16	(37,416)	(16,972)	(64,715)	0	0	(119,103)	0	(119,103)
Net Book Value @ 31/03/16	269,798	8,342	142,725	13	7,590	428,468	3,218	431,686
Net Book Value @ 31/03/15	263,264	7,898	133,934	9	8,223	413,328	4,046	417,374
Revaluation reserve								
Opening	(77,564)	0	0	(17)	(1,299)	(78,880)	(3,289)	(82,169)
Movement	(14,918)	0	0	1	176	(14,741)	1,243	(13,498)
Closing	(92,482)	0	0	(16)	(1,123)	(93,621)	(2,046)	(95,667)
Assets under Construction								
Opening Balance 01/04/15	0	0	0	0	0	0	0	0
Movement in year								
Additions								
Closing Balance 31/03/16	0	0	0	0	0	0	0	0

A proportion of these properties have been revalued during the year by Wilks Head & Eve a London-based firm of chartered surveyors in accordance with the Code of Practice issued by CIPFA and the RICS Red Book.

Notes to the Financial Statements

Investment properties are assets held solely to earn rentals or for capital appreciation or both, they cannot be used for operational purposes.

Assets held for sale are those assets the Council is actively trying to sell. This Council has three assets held for sale which are:

the former Pound Lane Depot (hoping to sell in 2016/17);
land at the Starting Gate (hoping to sell in 2016/17) and
and former Newbury Day centre land (hoping to sell in 2017/18).

Movements in Property, Plant & Equipment & Investment Properties 2014/15 Table 30	Land & Buildings £000	Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment properties Assets £000	Assets held for sale £000	TOTAL £000
Valued at Current value							
Book Value @ 01/04/14	325,310	31,908	184,130	157	9,277	5,428	556,210
Revaluations	4,574	0	0	0	152	0	4,726
Impairments	(30,884)	0	0	0	(1,310)	(678)	(32,872)
Reclassifications	1,474	0	0	0	0	9	1,483
Other movements	(9,949)	(10,618)	(5,393)	(148)	0	0	(26,108)
Additions	10,655	1,277	13,349	0	104	0	25,385
Disposals	(408)	0	0	0	0	(200)	(608)
Book Value @ 31/03/15	<u>300,772</u>	<u>22,567</u>	<u>192,086</u>	<u>9</u>	<u>8,223</u>	<u>4,559</u>	<u>528,216</u>
Depreciation @ 01/04/14	(46,346)	(22,904)	(57,331)	(148)	0	(435)	(127,164)
Charged to services	(12,895)	(2,383)	(6,214)	0	0	(171)	(21,663)
On revalued assets	3,145	0	0	0	0	0	3,145
Depreciation on impaired assets	8,386	0	0	0	0	89	8,475
Other movements	9,950	10,618	5,393	148	0	0	26,109
On disposal	252	0	0	0	0	4	256
Balance @ 31/03/15	<u>(37,508)</u>	<u>(14,669)</u>	<u>(58,152)</u>	<u>0</u>	<u>0</u>	<u>(513)</u>	<u>(110,842)</u>
Net Book Value @ 31/03/15	<u>263,264</u>	<u>7,898</u>	<u>133,934</u>	<u>9</u>	<u>8,223</u>	<u>4,046</u>	<u>417,374</u>
Net Book Value @ 31/03/14	<u>278,964</u>	<u>9,004</u>	<u>126,799</u>	<u>9</u>	<u>9,277</u>	<u>4,993</u>	<u>429,046</u>
Revaluation reserve							
Opening	(87,749)	0	0	(7)	(964)	(3,990)	(92,710)
Movement	10,185	0	0	(10)	(335)	701	10,541
Closing	<u>(77,564)</u>	<u>0</u>	<u>0</u>	<u>(17)</u>	<u>(1,299)</u>	<u>(3,289)</u>	<u>(82,169)</u>
Assets under Construction							
Opening Balance 01/04/14	1,484	0	0	0	0	0	1,484
Movement in year							
Additions	(1,484)	0	0	0	0	0	(1,484)
Closing Balance 31/03/15	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) that belongs to this Council, is capitalised in the Balance Sheet. All PPE are included in the Balance Sheet at their fair value except for investment property (held solely to generate rental income or capital appreciation) which is held at market value. Infrastructure assets and community assets are included at depreciated historical cost. In 16/17 the Highways element of infrastructure assets will be revalued.

Investment properties are revalued annually whilst all other assets are included at current value and revalued at intervals of not more than five years.

16b Capital Expenditure: The total capital expenditure for the year was £38,562k (2014/15: £30,489k).

16c Capital expenditure financing

2014/15 £000	Capital Expenditure Financing Table 31	2015/16 £000
159,196	Opening Capital Financing Requirement	163,747
	Capital Investment	
25,386	Property, Plant and Equipment	29,300
0	Investment Properties	0
0	Assets under construction	0
13,103	Revenue Expenditure Funded from capital under statute	9,262
	Sources of Finance	
(338)	Capital receipts	0
(18,238)	Government Grants	(19,601)
(499)	Other Grants	0
0	Revenue funding	(76)
0	Other internal balances and funds	(317)
(2,223)	Developers/other contributions	(5,095)
(12,640)	MRP/Loans Principal Repaid	(4,640)
163,747	Closing Capital Financing Requirement	172,580
	Explanation of Movements in Year	
0	Increase in underlying need to borrowing (supported by government financial assistance)	0
4,551	Increase in underlying need to borrowing (unsupported by government financial assistance)	8,563
0	Assets acquired under finance leases	0
0	Assets acquired under PFI/PPP contracts	0
4,551	Increase/ (decrease) in capital financing requirement	8,563

16d Capital Assets: During the year a proportion of the Assets were revalued in line with the five year rolling programme. The one Foundation school in the district is not included in the Council's asset register but the Council is required to disclose the valuation. The fixed assets of this school are £13.1m (2014/15: £13.1m) being £10.5m for building and £2.6m for land. The main items of capital expenditure in the year were as follows:

Notes to the Financial Statements

2014/15 £000	Main Items of Capital Expenditure (>£150k) Table 32	2015/16 £000
<u>Social Care and Housing</u>		
	Notrees Care Home Improvements	194
	Occupational Therapy Equipment	909
	Redevelopment of Gypsy and Travellers' Site	167
	Replacement for Social Care case management system	335
	Disabled Facilities Grants	1,275
	Aquisition of new temporary housing	1,367
755	Total for Social Care and Housing	4,247
<u>Education Projects</u>		
	Maintenance of School Buildings	2,304
	Universal Infant Free School Meals	170
	Additional primary school places in Newbury	182
	Theale Primary School expansion	234
	Robert Sandilands School expansion	300
	Parsons Down Infant School Kitchen Expansion	309
	Westwood Farm Infant School Kitchen Expansion	343
	Francis Baily Primary School Kitchen Expansion	350
	Calcot Junior School expansion	435
	Autistic Spectrum Disorder Unit at Trinity School	448
	Purley Infant School expansion to Primary School	451
	Lambourn Primary School improvements	614
	John O'Gaunt School improvements	791
	Kennet Valley Primary School improvements	1,194
	Spurcroft Primary School Expansion	1,430
	The Willows Primary School expansion	1,479
	Little Heath School improvements	1,773
10,044	Total for Education	12,807
<u>Highways Maintenance and Improvements</u>		
	Maintenance of the highways network	4,050
	Flood Damaged Road Repairs	233
	A4 Calcot Widening	1,198
	Future Programme Development	259
	Tull Way Retention Pond	259
	Essential Maintenance of Bridges	288
	A339 Access to London Road Industrial Estate	747
	Land Drainage	268
	A339 Corridor Improvements	1,659
	Street Lighting Improvements	4,344
	Local Sustainable Transport	176
11,221	Total for Highways	13,481
<u>Other Council Projects</u>		
	Energy Efficiency projects	151
	Superfast Broadband Infrastructure	1,689
	Maintenance and health and safety of Council offices	687
	Improvements to IT infrastructure and systems	404
	Modernisation of Leisure Centres	206
10,946	Total for Other Council Projects	3,137
32,966	Total Main Items of Capital Expenditure	33,672

Wherever possible the Council aims to fund any necessary capital investment from external sources of funding i.e. grants, developers' contributions and capital receipts. The level of investment required over and above the level of external funding available must then be weighed up against the revenue cost of repaying loans to fund capital expenditure from external sources. In establishing its Prudential Framework, the Council determined that it could support a capital programme of £12,975k (2014/15: £11,021k).

16e Leased Assets

Council as Lessor

The Council has not entered into any finance leases as a lessor.

Operating leases: The Council lets a number of properties on operating leases for the following purposes:

- Sporting and community facilities which are let to organisations such as parish councils and charities which help support the council's priorities
- Industrial and other commercial premises which help support the economic development of the area
- Other properties including farms and shared ownership dwellings.

31 March 2015			Table 33	31 March 2016		
Sporting & Community facilities	Industrial & Commercial Premises	Other	Council as lessor Operating Leases	Sporting & Community facilities	Industrial & Commercial Premises	Other
£000	£000	£000	Leases expiring:	£000	£000	£000
78	457	48	Not later than 1 year	57	443	104
170	1,076	131	Between 1 and 5 years	125	1,087	273
183	4,672	150	Between 5 and 25 years	164	4,690	781
93	4,923	101	Over 25 years	88	4,893	83
524	11,128	430		434	11,113	1,241

Being the future minimum lease payments receivable under non cancellable leases.

The rental income credited to the income statement was £667k (2014/15: £642k)

Council as Lessee: The Council has not entered into any finance leases as a lessee.

Operating leases: The Council has a number of leases relating to buildings, vehicles and office equipment. The buildings include social care facilities, schools and children centres. These items are not the property of the Council and consequently are not recorded in the Balance Sheet.

Notes to the Financial Statements

31 March 2015		Table 34	31 March 2016	
Land & Buildings	Vehicles Plant & Equipment	Council as lessee Operating Leases	Land & Buildings	Vehicles Plant & Equipment
£000	£000	Leases expiring:	£000	£000
388	403	Not later than 1 year	383	378
973	541	Between 1 and 5 years	934	268
3,294	10	Between 5 and 25 years	3,083	2
5	0	Over 25 years	4	0
<u>4,660</u>	<u>954</u>		<u>4,404</u>	<u>648</u>

Being the minimum lease payments payable

The lessee charge to the Income and Expenditure Statement for both Land & Building and Vehicles, Plant & Equipment was £655k (2014/15: £628k) and £363k (2014/15: £459k) respectively. The charge re Plant & Equipment has decreased from 2014/15 because of leased printers being replaced with owned ones.

(17) Investment Properties

The Following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

17a Rental income from Investment Properties

2014/15 £000	Rental income from Investment Properties Table 35	2015/16 £000
(404)	Rental income from Investment Properties (incl in note 16e)	(408)
10	Capital Charges	1,671
8	Direct operating expenses arising from investment properties	9
<u>(386)</u>	Net Income	<u>1,272</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, develop, maintain, repair or enhance investment properties. The following table summarises the movement in the fair value of investment properties over the year.

17b Investment properties

2014/15 £000	Investment Properties Table 36	2015/16 £000
9,277	Balance at start of year	8,811
	Additions	
0	Construction	
692	Subsequent Expenditure	0
692	Total additions	0
0	Disposals	0
	Other changes	
(1,286)	Net gains/losses from fair value adjustments	(567)
0	Transfers	
0	To/from Inventories	
128	To/(from) Property, Plant & Equipment	(709)
0	Other changes	55
(1,158)	Total other changes	(1,221)
8,811	Balance at end of year	7,590

(18) Private Finance Initiative – Integrated Waste Management Facility (IWMF) Padworth

The Council entered into a PFI contract with Veolia ES West Berkshire Ltd in March 2008 for the provision of waste collection and disposal services.

18a The contract included provision of an Integrated Waste Management Facility (IWMF), built on Council owned land at Padworth Sidings. This £25.97m facility opened on 19 October 2011, and is recognised as both an asset and liability in the Balance Sheet. However, whilst capital repayments actually commenced from 1 April 2013 notional capital payments have been spread over the 21 years from the month of opening to the end of the PFI contract on 30 September 2032.

The future payment stream is estimated as follows:

Padworth PFI payments 2014/15 £000	Table 37 Due within	Repayment of Liability £000	Interest £000	Service Charges £000	Total 2015/16 £000
17,587	Repayment in year	537	977	16,347	17,861
	Deferred liability				
18,153	Within 1 year	570	944	16,714	18,228
76,156	2 to 5 years	2,649	3,406	69,863	75,918
104,814	6 to 10 years	4,328	3,242	96,568	104,138
116,864	11 to 15 years	5,820	1,749	108,290	115,859
62,638	16 to 20 years	2,099	172	34,248	36,519
0	21 years plus	0	0	0	0
396,212		16,003	10,490	342,030	368,523

18b These payments have been calculated to compensate Veolia for the fair value of the services provided, the capital expenditure incurred and interest payable. The capital asset movement recognised by WBC with and the associated outstanding PFI liability for capital expenditure incurred by Veolia is:

31/03/15 £000	Padworth PFI Asset movements & Liabilities	Table 38	31/03/16 £000
	Movement in asset value:		
28,965	Gross Book Value at start of year		27,954
11	Additions		0
(1,022)	Revaluation		0
27,954	Gross Book Value at year-end		27,954
(1,759)	Depreciation at the start of year		(1,400)
(701)	Depreciation		(701)
1,060	Revaluation		0
(1,400)	Depreciation at year-end		(2,101)
26,554	Net Book Value at year-end		25,853
(16,511)	Balance outstanding at the start of year		(16,005)
506	Principal repayment in year		537
(16,005)	Balance outstanding at year-end		(15,468)
(537)	Within 1 year		(570)
(15,468)	Deferred liability		(14,898)
(16,005)	Balance outstanding at year-end		(15,468)

At the end of the contract the IWFM will revert, at no residual cost, back to the Council.

(19) Inventory and Work in Progress

19a **Inventory** - goods and materials charged to revenue, which have not been used by the end of year, totaled £24k (2014/15: £16k). This stock is carried forward to be charged in the year it is used.

19b **Contractual commitments:** on major capital schemes at the 31 March 2015 were:

Estimated commitments at 31/03/15 £000	Capital commitments Table 42	Estimated contract cost at 31/03/16 £000	Contract payments		Estimated commitments at 31/03/16 £000
			prior to 01/04/15 £000	within 2015/16 £000	
5	Chieveley Primary School	2,996	2,996	0	0
1,692	Little Heath School	2,962	1,149	1,739	74
620	Lambourn Primary School	893	269	602	22
2,386	The Willows School	2,512	132	1,219	1,161
0	Kennet Valley Primary School	1,217	26	1,148	43
14	Long Lane Primary School	476	463	13	0
2,107	Spurcroft Primary School Expansion	2,331	366	1,249	716
26	John Rankin Infant School Extension	890	864	26	0
51	John Rankin Junior School Extension	1,170	1,099	41	30
22	The Winchcombe School - Basic Need	908	884	24	0
14	The Castle School Basic Need	571	557	14	0
0	Purley Infants	640	106	463	71
484	John O'Gaunt School Modernisation	619	55	549	15
21	Brookfields Special School Post 16 Expansion	709	678	20	11
0	ASD Secondary Unit at Trinity School	650	0	128	522
43	Newbury Museum Redevelopment	1,729	1,685	0	44
3,189	Superfast Broadband Infrastructure	4,610	1,421	1,689	1,500
0	Superfast Broadband Infrastructure phase 2	2,950	0	0	2,950
10,674		28,833	12,750	8,924	7,159

(20) Debtors

Debtors: represents income due within one year:

31/03/15 £000	Debtors Table 40	31/03/16 £000
3,760	Central Government	2,592
867	Local Government	1,301
404	NHS	483
35	Academy Schools	22
4,517	Collection Fund	4,625
2,317	Payments in Advance	2,243
10,268	Other Debtors	9,597
22,168	Total Debtors	20,863
(6,276)	less provision	(2,865)
15,892	Total Debtors	17,998
0	Government Departments	0
20	Local Government	9
0	NHS	1
12	Academy Schools	10
2,285	Other Payments in Advance	2,223
2,317	Total Payments in Advance	2,243

(21) Cash and cash equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31/03/15 £000	Cash & Cash Equivalents Table 41	31/03/16 £000
1,857	Cash held by the Authority	2,066
281	Bank current accounts	(1,853)
802	Short Term Deposits	781
2,939	Total	994

Bank current account figures for 31 March 2015 and 31 March 2016 represent the current account balance less the value of cheques issued by the Council which were unrepresented at that date. Short term deposits at 31 March 2016 are in the Goldman Sachs Money Market Fund £370k (2014/15: £158k), HBOS Deposit Account £258k (2014/15: £102k) and Santander Deposit Account £154k (2014/15: £542k).

(22) Creditors

Creditors are payments the Council owes and are due to be paid in the short term:

31/03/15 £000	Creditors Table 42	31/03/16 £000
4,193	Central Government	2,125
3,275	Local Government	441
215	NHS	436
105	Academy Schools	40
1,029	Collection Fund	807
5,759	Receipts in Advance	3,470
22,131	Other creditors	19,605
36,707	Total Creditors	26,924
	Receipts in Advance	
1,481	Central Government	1,556
70	Local Government	84
4	NHS	106
40	Academy Schools	19
4,165	Other Receipts in Advance	1,705
5,760	Total Receipts in Advance	3,470

(23) Provisions, contingent liability and contingent assets

Provisions Table 43	Balance 31/03/15 £000	Arising in Year £000	Payments in Year £000	Balance 31/03/16 £000
Crookham (extraction of minerals)	9	0	0	9
Provision for liabilities	358	130	(147)	341
Other Provisions	509	0	(509)	0
Total Provisions	876	130	(656)	350

Contingent Liabilities

The Council is considering an appeal to the Supreme Court against a ruling on affordable homes. It is not currently possible to estimate the costs involved.

Judicial review proceedings in relation to a development agreement have been commenced against the Council. We are defending the proceedings at a trial in July 2016. Again, likely costs are not known at this time.

(24) Reserves and balances

24a Usable: The Council's usable reserves are made up as follows:

31/03/15 £000	Usable Reserves Table 44	31/03/16 £000
7,967	General Fund	6,352
2,233	Working balances	2,780
12,036	Earmarked reserves	12,089
0	Usable Capital Receipts	0
21,258	Capital Reserves	25,767
43,494	Total usable reserves	46,988

24b General Fund: This balance represents the total general reserve that the Council holds for non-specific items and represents the total of the General Fund and the Risk Fund.

24c Working Balances: This balance represents resources used for cash flow purposes that are held for consumption in the following financial year.

24d Earmarked Reserves: The amount shown for Earmarked reserves is a number of funds and balances where the amounts are held for specific future projects.

Earmarked Reserves Table 45	31/03/15 £000	Receipts £000	Payments £000	31/03/16 £000
Total Working Balances	2,233	2,424	(1,877)	2,780
General Fund	6,437	0	(1,115)	5,322
Risk Fund	1,530	550	(1,050)	1,030
Total General Reserve	7,967	550	(2,165)	6,352
Schools Balances	5,120	5,452	(6,037)	4,535
Special Expenses	6	12	(8)	10
Self Insurance Fund	802	471	(323)	950
Long term commitment	1,133	25	(237)	921
Ex BCC Liabilities	273	0	(273)	0
Specific Earmarked Reserves	3,725	5,614	(4,129)	5,210
Waste Management Strategy	977	36	(550)	463
Total Earmarked Reserves	12,036	11,610	(11,557)	12,089
Total General Fund	22,236	14,584	(15,599)	21,221

24e School Balances:

School balances 2015/16					
Table 46	Nursery £000	Primary £000	Secondary £000	Special £000	Totals £000
Opening balances	170	3,480	(24)	1,494	5,120
Transfers to Academies	0	0	0	0	0
Restated balances	170	3,480	(24)	1,494	5,120
Movement	23	(671)	56	7	(585)
Closing balances	193	2,809	32	1,501	4,535
Representing					
Underspent	193	3,058	882	1,501	5,634
Overspent	0	(249)	(850)	0	(1,099)
Net balance	193	2,809	32	1,501	4,535

Includes all school balances for each sector - revenue and capital. Special schools also include the balances of the two pupil referral units.

If schools under spend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31 March 2016 Schools held total balances of £4,535k (2014/15: £5,120k).

The £4,535k (2014/15: £5,120k) is an amalgamation of unspent and overspent balances, of which £5,634k is the unspent (surplus) and £ (1,099) k is the overspent (deficit) (2014/15: £5,678k and £ (558) k respectively). Five schools closed with an overall deficit balance (2014/15: five).

From 2015/16 West Berkshire no longer operate a balance control mechanism, but the Schools' Forum may review the financial management at any school which has a surplus of greater than 10% of the actual funding received in year - this is in line with the 2016 Scheme for Financing Schools. Nine schools have a year - end surplus of greater than 10%.

24f Special Expenses: holds the balances for the closed church yards and Hungerford town footway lighting accounts. Precepts are raised to offset the costs of maintaining these services.

24g Self Insurance Fund: This Fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The Fund is used to pay the first £250k of any property claim and the first £100k of other claims. External insurance covers the balance of claims.

24h Long Term Commitment: these reserves are mainly to do with commuted sums given to the Council from developers to maintain open spaces and playgrounds over a period of time. Also included are reserves for planning development and building maintenance.

24i Ex BCC liabilities: represents the allocation to West Berkshire Council of ex Berkshire County Council (BCC) provisions, mainly relating to insurance matters.

24j Specific Earmarked Reserves: The main items included within this are items provided for in the current financial year to support the future budget requirements, funds are set aside for future restructuring costs and items for specific future liabilities.

24k Waste Management Strategy: The fund will be used to help meet the revenue and capital costs associated with the Council's PFI arrangement for the provision of waste collection and disposal services over the twenty five year life of the contract.

(25) Unusable Reserves

31/03/15 £000	Unusable Reserves Table 47	31/03/16 £000
(3,030)	Accumulated Absences Account	(2,705)
82,168	Revaluation reserve	95,667
143,525	Capital Adjustment Account	134,530
(250,135)	Pension Reserve	(239,935)
(3,595)	Collection Fund	(3,475)
<u>(31,067)</u>	Total Unusable Reserves	<u>(15,918)</u>

25a Accumulated Absence Account: This account shows the differences that would arise on the General Fund Balance from accruing compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. The amounts will change year on year depending on how much leave employees still have to take.

25b Revaluation Reserve: This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Notes to the Financial Statements

2014/15 £000	Revaluation Reserve Table 48	2015/16 £000
92,710	Opening Balance	82,169
7,871	Upward revaluations of assets	22,673
(12,927)	Impaired assets	(4,581)
(5,056)	Surplus or (deficit) on revaluation of Fixed Assets	18,092
(115)	Sold assets	(1,244)
0	Academy Schools removed	0
(5,370)	Depreciation in year	(3,350)
82,169	Closing Balance	95,667

25c Capital Adjustment Account: This account holds the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

2014/15 £000	PPE - Capital Adjustment Account Table 49	2015/16 £000
149,404	Opening Balance	143,525
0	Revenue contribution to capital	76
338	Capital receipts applied	0
17,201	External funding of new capital assets	19,803
12,640	Minimum Revenue Provision / Loans Principal	4,910
3,759	External funding of REFCUS	5,208
(13,103)	REFCUS Assets charged	(9,262)
(21,687)	Depreciation	(24,015)
5,370	Historic cost depreciation adjustment	3,350
(351)	Write out asset values on disposal	(1,538)
115	Revaluation reserve re sold assets	1,243
0	Sale Adjustment	34
(11,447)	Impaired assets	(8,246)
1,286	Revaluations Investment Properties	(558)
143,525	Closing Balance	134,530

25d Pension Reserve: The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provision. Post employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

25e Collection Fund Adjustment Account: This account shows the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/15 £000	Council Tax Adjustment Account Table 50	2015/16 £000
(25)	Opening Balance	(227)
(202)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(894)
<u>(227)</u>	Closing Balance	<u>(1,121)</u>

2014/15 £000	NNDR Adjustment Account Table 51	2015/16 £000
(1,386)	Opening Balance	(3,368)
(1,982)	Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	1,014
<u>(3,368)</u>	Closing Balance	<u>(2,354)</u>

(26) Unapplied Capital Grants, Contributions and Receipts

The Council is required to split capital grants and contributions into those which have been used to finance Capital expenditure, and those which are still unapplied. The following table shows the amounts which were unapplied at the start of the year, how much has been used during the year and the amount left unapplied at the end of the year.

Notes to the Financial Statements

Unapplied Capital Grants and Contributions	Opening Balance 31/03/15 £000	New Grants and Contributions £000	Grants repaid to funding body & Contributions Written off £000	Amount applied to fund Capital Expenditure £000	Closing Balance 31/03/16 £000
Table 52					
Section 106 & Other Contributions	(17,143)	(4,705)	68	4,887	(16,893)
Capital Grants	(4,115)	(24,484)	0	19,894	(8,705)
Grants & other contributions unapplied	(21,258)	(29,189)	68	24,781	(25,598)
Grants with Conditions	(1,857)	(831)	0	1,703	(985)

In addition the Council received capital receipts of £169k in 2015/16 which has not yet been applied to fund capital expenditure. This gives total capital reserves (not including grants with conditions) of £25,767k.

(27) General Fund Deficit Reconciliation to Revenue Activities Net Cash Inflow

2014/15 £000	Net Cashflow Table 53	2015/16 £000	£000
484	General Fund (Surplus) / Deficit		1,615
	Non Cash Transactions		
3,215	Contribution to/(from) Reserves		12,949
	Items on an accruals basis		
19	(Increase)/Decrease in Stock		(8)
2,620	(Increase)/Decrease in Debtors		(3,205)
4,142	Increase/(Decrease) in Creditors		(8,684)
10,480	Items classified outside Revenue Activities		2,667
10,480	Net cashflows from operating activities		2,667

(28) Cash flow Reconciliation to Balance Sheet

Cash flow reconciliation Table 54	31/03/15 £000	Movement £000	31/03/16 £000
Temporary Borrowing	12,643	3,170	15,813
Temporary Investments	(4,000)	3,500	(500)
Cash and cash equivalents	(2,939)	1,945	(994)

(29) Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG allocation is based on the number of pupils recorded in the previous October school census. An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2015.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis (mainly for children educated out of maintained school settings including special needs placements) and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 are as follows:

Deployment of Table 55	Expenditure £000	Schools Budget £000	Total £000
Final DSG for 2015/16 before Academy recoupment			119,087
Academy figure recouped for 2015/16			(30,604)
Total DSG after Academy recoupment for 2015/16			88,483
Plus: Brought forward from 2014/15			1,100
Less: Carry forward to 2016/17 agreed in advance			373
Agreed initial budgeted distribution in 2015/16	14,066	75,890	89,956
In year adjustments	(127)	(246)	(373)
Final budgeted distribution for 2015/16	13,939	75,644	89,583
Less Actual central expenditure	(14,177)		(14,177)
Less Actual ISB deployed to schools		(75,153)	(75,153)
Plus Local Authority contribution for 2015/16	0	0	0
Carry forward to 2016/17	(238)	491	253

(30) Adjustments between Accounting Basis and Funding Basis under Regulation

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Account recognised by the Council in the year in accordance with the proper accounting practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

- 2015/16 Table for year end 31 March 2016 on page 82
- 2014/15 Table for year end 31 March 2015 on page 83

(31) Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Members on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service cost of benefits accrued in the year.
 - 2015/16 Table for year end 31 March 2016 on page 84
 - 2014/15 Table for year end 31 March 2015 on page 85

Notes to the Financial Statements

Adjustment between Accounting Basis and Funding Basis under Regulation	General Fund Balance	Deferred Credit	Useable Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in		Total Authority Reserves
					Usable Reserves	Unusable Reserves	
2015/16 Table 56	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Depreciation	32,288	0	0	0	32,288	(32,288)	0
<i>Being charges for depreciation and revaluation losses of non-current assets-</i>							
Investments	558	0	0	0	558	(558)	0
<i>Being movements in the fair value of investment properties</i>							
Grants applied	(115)			(24,849)	(24,964)	24,964	0
<i>Being capital grants and contributions applied</i>							
Revenue funded	9,262				9,262	(9,262)	0
<i>Being revenue expenditure funded from capital under statute</i>							
Disposals	295				295	(295)	0
<i>Being amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal to the Income and Expenditure Statement</i>							
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision	(4,910)				(4,910)	4,910	0
<i>Being statutory provision for the financing of capital investment</i>							
Capital expenditure	0				0	0	0
<i>Being capital expenditure charged against the General Fund and HRA balances</i>							
Adjustments primarily involving the Capital Grants Unapplied Account							
Grants unapplied	(29,189)			29,189	0	0	0
<i>Being capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement</i>							
Adjustments primarily involving the Capital Receipts Reserve							
Cash transfer			169		169	(169)	0
<i>Being transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</i>							
Capital Receipts	0				0	0	0
<i>Being use of the Capital Receipts Reserve to finance new capital expenditure</i>							
Adjustment primarily involving the Pensions Reserve							
Reversals	23,205				23,205	(23,205)	0
<i>Being reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Pension contributions	(9,360)				(9,360)	9,360	0
<i>Being employer's pension contributions and direct payments to pensioners payable in year</i>							
Adjustment primarily involving the Collection Fund Adjustment Account							
Council tax income	120				120	(120)	0
<i>Being amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements</i>							
Adjustments primarily involving the Accumulated Absences Account							
Remuneration	325				325	(325)	0
<i>Being amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</i>							
Total	22,479	0	169	4,340	26,988	(26,988)	0

Total Adjustments between accounting basis and funding basis under regulations

Notes to the Financial Statements

Adjustment between Accounting Basis and Funding Basis under Regulation	General		Useable	Capital Grants	Movement in		Total Authority Reserves
	Fund Balance	Deferred Credit	Capital Receipts Reserve	Unapplied Account	Usable Reserves	Unusable Reserves	
2014/15 Table 57	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Depreciation	31,848	0	0	0	31,848	(31,848)	0
<i>Being charges for depreciation and revaluation losses of non-current assets-</i>							
Investments	1,286	0	0	0	1,286	(1,286)	0
<i>Being movements in the fair value of investment properties</i>							
Grants applied	(80)	0	0	(22,782)	(22,862)	22,862	0
<i>Being capital grants and contributions applied</i>							
Revenue funded	13,103	0	0	0	13,103	(13,103)	0
<i>Being revenue expenditure funded from capital under statute</i>							
Disposals	351	0	0	0	351	(351)	0
<i>Being amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal to the Income and Expenditure Statement</i>							
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision	(12,640)	0	0	0	(12,640)	12,640	0
<i>Being statutory provision for the financing of capital investment</i>							
Capital expenditure	0	0	0	0	0	0	0
<i>Being capital expenditure charged against the General Fund and HRA balances</i>							
Adjustments primarily involving the Capital Grants Unapplied Account							
Grants unapplied	(25,156)	0	0	25,156	0	0	0
<i>Being capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement</i>							
Adjustments primarily involving the Capital Receipts Reserve							
Cash transfer	(246)	0	0	0	(246)	246	0
<i>Being transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</i>							
Capital Receipts	0	0	0	0	0	0	0
<i>Being use of the Capital Receipts Reserve to finance new capital expenditure</i>							
Adjustment primarily involving the Pensions Reserve							
Reversals	20,111	0	0	0	20,111	(20,111)	0
<i>Being reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Pension contributions	(8,513)	0	0	0	(8,513)	8,513	0
<i>Being employer's pension contributions and direct payments to pensioners payable in year</i>							
Adjustment primarily involving the Collection Fund Adjustment Account							
Council tax income	2,185	0	0	0	2,185	(2,185)	0
<i>Being amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements</i>							
Adjustments primarily involving the Accumulated Absences Account							
Remuneration	262	0	0	0	262	(262)	0
<i>Being amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</i>							
Total	22,511	0	0	2,374	24,885	(24,885)	0
<i>Total Adjustments between accounting basis and funding basis under regulations</i>							

Notes to the Financial Statements

Directorate Expenditure for the year ended 31 March 2016

Comprehensive Income and Expenditure Statement (CI&ES) Table 58	Communities £000	Environment £000	Resources £000	Below the line items £000	Total £000
Fees, charges & other service income	(19,886)	(11,508)	(5,646)	(9,647)	(46,687)
Government grants	(101,616)	(2,608)	(46,657)	0	(150,881)
Total Income	(121,502)	(14,116)	(52,303)	(9,647)	(197,568)
Employee expenses	31,602	12,881	13,039	6,240	63,762
Other operating expenses	161,363	33,677	51,993	11,819	258,852
Total operating expenses	192,965	46,558	65,032	18,059	322,614
Net Cost of Services	71,463	32,442	12,729	8,412	125,046

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	125,046
Add services not included in main analysis	
Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	0
Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	33,485
Net Cost of Services in Comprehensive Income and Expenditure Statement	158,531

Reconciliation to Subjective Analysis	Service Analysis £000	Amounts included in the analysis but not included in the CI&ES £000	Amounts not included in the analysis but included in the CI&ES £000	Allocation of support service recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income ventures	(46,687)	3,360	0	0	(43,327)	(60,443)	(103,770)
Interest and investment income	0	0	0	0	0	(432)	(432)
Income from council tax	0	0	0	0	0	(81,133)	(81,133)
Government grants and contributions	(150,881)	456	0	0	(150,425)	(55,102)	(205,527)
Total Income	(197,568)	3,816	0	0	(193,753)	(197,110)	(390,862)
Employee expenses	63,762	(14,354)	0	10,195	59,603	8,116	67,719
Other service expenses	258,852	13,307	0	0	272,159	1,930	274,089
Support Service recharges and disposal	0	0	0	(12,298)	(12,298)	0	(12,298)
Interest Payments	0	30,717	0	2,103	32,820	0	32,820
Precepts & Levies	0	0	0	0	0	5,767	5,767
Gain / Loss on Disposal of Fixed Assets	0	0	0	0	0	3,852	3,852
Gain / Loss on Disposal of Fixed Assets	0	0	0	0	0	270	270
Total operating expenses	322,614	29,670	0	0	352,284	19,935	372,219
services	125,046	33,486	0	0	158,531	(177,175)	(18,643)

Notes to the Financial Statements

Directorate Expenditure for the year ended 31 March 2015

Comprehensive Income and Expenditure Statement (CI&ES) Table 59	Communities £000	Environment £000	Resources £000	Below the line items £000	Total £000
Fees, charges & other service income	(12,772)	(10,209)	(4,931)	(404)	(28,316)
Government grants	(98,730)	(2,350)	(42,703)	0	(143,783)
Total Income	(111,502)	(12,559)	(47,634)	(404)	(172,099)
Employee expenses	27,871	12,635	13,416	0	53,922
Other operating expenses	151,745	32,773	47,096	7,721	239,335
Total operating expenses	179,616	45,408	60,512	7,721	293,257
Net Cost of Services	68,114	32,849	12,878	7,317	121,158

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	121,158
Add services not included in main analysis	0
Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	0
Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	37,747
Net Cost of Services in Comprehensive Income and Expenditure Statement	158,905

Reconciliation to Subjective Analysis	Service Analysis £000	Amounts included in the analysis but not included in the CI&ES £000	Amounts not included in the analysis but included in the CI&ES £000	Allocation of support service recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income ventures	(28,316)	3,726	0	0	(24,590)	(19,219)	(43,809)
Interest and investment income	0	0	0	0	0	0	0
Income from council tax	0	0	0	0	0	(80,222)	(80,222)
Government grants and contributions	(143,783)	(25,155)	0	0	(168,939)	(27,604)	(196,542)
Total Income	(172,099)	(21,429)	0	0	(193,529)	(127,444)	(320,972)
Employee expenses	53,922	3,970	0	10,243	68,136	0	68,136
Other service expenses	239,335	8,618	0	0	247,953	42,561	290,515
Support Service recharges and disposal	0	0	0	(12,090)	(12,090)	0	(12,090)
Interest Payments	0	46,589	0	1,846	48,435	0	48,435
Precepts & Levies	0	0	0	0	0	5,353	5,353
Pool	0	0	0	0	0	3,648	3,648
Gain / Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0
Total operating expenses	293,258	59,177	0	0	352,434	51,456	403,890
services	121,159	37,748	0	0	158,905	(75,988)	82,917

The Collection Fund Income and Expenditure Account

As a collection authority West Berkshire Council is responsible for the billing and recovery of council tax and Non Domestic Rates. Such transactions are required to be shown separately from the provision of services by the District Council. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Council Tax 2014/15 £000	Business Rates 2014/15 £000	Collection Fund Income & Expenditure Account Table 60	notes	Council Tax 2015/16 £000	Business Rates 2015/16 £000
Income					
(93,057)		Council Tax Receivable	1	(94,572)	
	(83,659)	Business Rates Receivable	2		(86,498)
(449)		Government Grants		(408)	
(93,506)	(83,659)	Total Income		(94,980)	(86,498)
Expenditure					
Precepts & Demands:					
	41,637	Central Government	4		40,896
80,068	40,805	West Berkshire Council		82,068	40,077
9,727	0	Thames Valley Police Authority		10,163	0
3,676	833	Royal Berkshire Fire Authority		3,766	818
93,471	83,275			95,997	81,791
189	(4,044)	Transfer to General Fund in respect of distribution of previous year's estimated deficit	5	(78)	383
Charges to the Collection Fund					
0	2	Transitional Relief Payment		0	95
0	260	Costs of collection		0	259
82	486	Increase (-) decrease in Bad Debt Provision	6	107	0
	7,725	Increase (-) decrease in Provision for Appeals		0	1,900
82	8,473		7	107	2,254
93,742	87,704	Total Expenditure		96,026	84,428
236	4,045	(Surplus)/Deficit for the year		1,046	(2,070)
29	2,828	(Surplus)/deficit brought forward at 1st April		265	6,873
265	6,873	(Surplus)/deficit carried forward at 31st March		1,311	4,803

Collection Fund Account

(1) Council tax

2014/15 £000	Council Tax Table 61	2015/16	
		£000	£000
108,899	Opening Debit	110,091	
<u>0</u>		<u>0</u>	
108,899			110,091
(1,684)	Exemptions	(1,534)	
(7,344)	Discounts	(7,251)	
(94)	Disabled relief	(81)	
<u>(6,720)</u>	Council Tax Support	<u>(6,653)</u>	
<u>(15,842)</u>			<u>(15,519)</u>
<u>93,057</u>	Net Closing Debit		<u>94,572</u>

(2) National Non-Domestic Rates

From 1st April 1994 until 31st March 2012 each Council received its Non-Domestic Rates (NDR) income direct from the central pool rather than passing it through the Collection Fund. From 1st April 2013 following the introduction of the new Business Rates Retention Scheme 49% of business rates collected by the Council are now retained with the remainder being shared between Central Government (50%) and the Royal Berkshire Fire and Rescue Authority (1%) The aim of the scheme is to give councils greater incentive to grow the businesses in their area and allows West Berkshire Council to retain its proportionate share of the business rates growth. It does, however increase the volatility of the income received from NDR due to the risks of non payment and volatility in the tax base.

2014/15 £000	National Non-Domestic Rates Table 62	2015/16	
		£000	£000
92,238	Opening Debit	89,059	
92,238			89,059
(2,677)	Less empty and revalued properties	(2,715)	
(421)	New funded relief	0	
2	Transitional relief	95	
(6,417)	Mandatory relief	(6,906)	
(121)	Discretionary relief	(714)	
319	bills deferred in line with National Scheme	0	
736	RV List amendments	7,679	
			<u>(2,561)</u>
<u>83,659</u>	Net Business Rates Receivable		<u>86,498</u>

The opening debit is arrived at by multiplying the total rateable value by the rate poundage (48 pence in the pound).

Collection Fund Account

(3) Government Grants

A £408k (2014/15: 449k) grant with respect to Ministry of Defence properties was credited to the Collection Fund.

(4) Precepts & Demands

Under council tax, parishes are required to precept on the district who in turn precept on the Collection Fund, whilst Thames Valley Police and Royal Berkshire Fire and Rescue Service precept directly on the Collection Fund. Under the new Business Rates Retention Scheme West Berkshire, Central Government and Royal Berkshire Fire Authority all precept directly on the Collection Fund.

(5) Transfer to the General Fund

This represents a transfer to the general fund in respect of the estimated deficit/surplus on the Collection Fund as at January 2015. This surplus is shared between the precepting bodies. In January 2015 it was estimated that the Collection Fund would have a business rates surplus of £383k and a council tax deficit of £78k. The following amounts were therefore due to/from preceptors:

Council Tax 2014/15 £000	Business Rates 2014/15 £000	Contributions to Collection Fund Surplus and Deficit Table 63	Council Tax 2015/16 £000	Business Rates 2015/16 £000
(162)	1,981	West Berkshire Council	67	(188)
0	2,022	Central Government	0	(191)
(19)	0	Thames Valley Police	8	0
(8)	41	Royal Berkshire Fire and Rescue Authority	3	(4)
(189)	4,044		78	(383)

(6) Provision for Appeals

A provision has been made to reflect business rates appeals made to the Valuation Office Agency that are outstanding as at the 31 March 2016. The provision results from the introduction of the Business Rates Retention Scheme in 2013/14.

2014/15 £000	Business Rate Appeals Table 64	2015/16 £000
690	Opening balance	7,679
7,725	Transfer from Income & Expenditure Account	1,900
(736)	Write off in the year	(7,679)
7,679	Closing Balance	1,900

(7) Council tax Base

The Council's tax base is calculated by reference to the number of properties in particular value bands within the District. The number of properties is adjusted for single person occupancy, empty properties, disabled use etc to arrive at a total for each band. Each band is then converted to a band D equivalent to determine the tax base.

Council Tax Base Table 65		Band	Net Dwellings	Multiplier	Band D Equivalent
	Disabled	A	0.00	5/9	0.00
	up to £40,000	A	1,713.75	6/9	1,142.50
over £40,000	up to £52,000	B	4,194.85	7/9	3,262.66
over £52,000	up to £68,000	C	15,502.51	8/9	13,780.01
over £68,000	up to £88,000	D	15,200.42	9/9	15,200.42
over £88,000	up to £120,000	E	9,509.30	11/9	11,622.50
over £120,000	up to £160,000	F	6,241.85	13/9	9,016.01
over £160,000	up to £320,000	G	4,185.60	15/9	6,976.00
over £320,000		H	665.60	18/9	1,331.20
					<u>62,331.29</u>
	Adjustment for losses on collection			x	<u>0.996</u>
					<u>62,081.97</u>

Glossary

Academy (School) - is a type of school that is independent of Local Education Authority control but remains publicly funded.

Accruals basis - Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

Actuary - A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep it solvent.

Amortised cost: Most financial instruments (whether borrowing or investment) are valued in 2014/15 on an amortised costs basis using the effective interest rate (EIR) method.

Audit Commission - The independent public body responsible for ensuring that public money is spent economically, efficiently, and effectively in the areas of local government, housing, health, criminal justice, and fire and rescue services.

Best value - Delivering economy, efficiency and effectiveness to secure continuous service improvement – 'providing the quality services you want at a price you are willing to pay'.

Book value - The value of a fixed asset, such as a building or machine, as recorded in an organisation's books. It is the lower of the depreciated cost and the recoverable amount. The recoverable amount is the higher of the value in use and the net realisable amount.

Capital Adjustment Account - An account that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital expenditure - Expenditure on the acquisition or creation of a fixed asset or expenditure that adds to and does not merely maintain the value of an existing fixed asset.

Capital programme - A list of capital projects approved to start in a specified financial year.

Capital receipt - Proceeds from the sale of capital assets (e.g. land, buildings and equipment).

Capitalisation - Treatment of expenditure as capital rather than as revenue (see also capital expenditure).

CIPFA - Chartered Institute of Public Finance and Accountancy

Collection fund - An account maintained by a district council recording the amounts collected in council tax.

Community asset - An asset that the Council intends to hold forever, that has no determinable useful life, and that may have restrictions on its disposal. Examples of community assets are parks and historic buildings.

Contingency provision - A sum included usually as a central provision within the budget to meet expenditure where timing and scale are uncertain.

Contingent liabilities - A potential liability that is uncertain because it depends on the outcome of a future event.

Contracts Rules of Procedure – the rules apply in every case where the Council enters into an agreement with another party for the supply of goods, materials or services to, or the execution of work for, the Council.

Corporate and Democratic Core - Has two elements: the costs of corporate management are the infrastructure overheads which allow services to be provided and information required for public accountability and the democratic representation costs relating to all aspects of members' activities.

Council Tax - A domestic property tax based on capital values with a personal element (a 25% discount for single-adult households). Each property is allocated to one of eight tax bands according to its capital value.

Creditor - An individual or body to which the Council owes money at the Balance Sheet date.

Current asset - An asset that is realisable or disposable within less than one year without disruption to services.

Current liability - A liability that is due to be settled within one year.

Debtor - An individual or body that owes money to the Council at the Balance Sheet date.

Dedicated Schools Grant (DSG) - A Government grant that can only be used to fund expenditure within the schools' budget.

Deferred contributions and Government grant accounts - Accounts that reflect the value of fixed assets in the Balance Sheet that are financed by specific Government grants or external contributions.

Defined benefit pension scheme - A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and final salary.

Deposit - Receipt held that is repayable in prescribed circumstances.

Depreciated replacement cost - Relating to fixed assets, the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property.

Depreciation - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Developers' contribution - If a development derives special benefit from highway works, developers can be required to contribute towards the costs. They arise mainly as a result of agreements under section 278 of the Highways Act 1980.

Discretionary increase in pension payments - This increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

Dividends - Income to the Pension Fund on its holdings of UK and overseas shares.

Earmarked reserve - See Reserve.

Fair value - the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Finance lease - Under this type of lease, the risks and rewards of ownership of the leased goods transfer to the lessee (the organisation paying the lease).

Financial instruments - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Reporting Standard (FRS) - Accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts.

Financial Rules of Procedure – outlines how West Berkshire should transact business

Fixed asset - An asset that yields benefits to the local authority and the services it provides for a period of more than one year.

Foundation Schools - A category of school that receives its funding from the Council but owns its land and buildings and employs its own staff.

General Fund - The accumulated credit balance of general reserves. It is the excess of income over expenditure in the Income and Expenditure Account after adjusting for movements to and from reserves and other non-cash items. This balance is needed as a cushion against unforeseen expenditure.

Government grant released - The reduction in the value of a Government grant deferred when the corresponding fixed asset is depreciated or disposed of.

Historical cost - The amount originally paid for a fixed asset.

Impairment loss - A loss arising from an event that significantly reduces an asset's value. An example is physical damage or a fall in market value.

Infrastructure asset - Fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. Examples of infrastructure assets are carriageways and footpaths.

Internal trading account - A service within the Council that operates on a trading basis with other parts of the Council.

International Financial Reporting Standards (IFRS) - International accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts, which came fully into effect from 1 April 2010.

Local Government Pension Scheme (LGPS) - The LGPS is a nationwide scheme for employees working in local government or working for other employers participating in the Scheme and for councillors.

Long-term borrowing - A loan repayable in more than one year from the Balance Sheet date.

Long-term debtor - An individual or body that owes money to the Council that is not due for payment within one year from the Balance Sheet date.

National Business Rates - Charges collected by district councils from non-domestic properties, at a national rate in the pound set by the Government.

Net assets - The amount by which assets exceed liabilities (same as net worth).

Net book value - The original cost of the item less accumulated depreciation for the item.

Net operating expenditure - Gross expenditure less fees and charges for services and specific grants but before the deduction of Revenue Support Grant, National Business Rates and Council Tax income.

Non-current assets - An asset which is not easily convertible to cash or not expected to become cash within the next year.

Non-distributed costs - Overheads for which no user directly benefits and which are therefore not split between services.

Non-operational asset - A fixed asset held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, heritage assets or assets that are surplus to requirements, pending sale or development.

Operational asset - A fixed asset held and occupied, used or consumed by the Council in the direct delivery of services.

Operational lease - Under this type of lease, the risks and rewards of ownership of the leased goods stay with the lessor (the company leasing out the goods).

Past service cost - For a defined benefit pension scheme, the increase in the present value of the scheme's liabilities related to employee service prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pooled budget - Partners contribute a set amount of money to form a separate budget. The purpose and scope of the budget is agreed at the outset and then used to pay for relevant services and activities.

Post Balance Sheet event - Events that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

Precept - The demand made by the preceptor on the Collection fund maintained by the billing authority for council taxpayers' contribution to its services.

Private equity - Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e. not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Private Finance Initiative (PFI) - Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

Projected unit actuarial method - One of the common methods used by actuaries to calculate a contribution rate to the LGPS, which is usually expressed as a percentage of the members' pensionable pay.

Provisions - An estimated figure within the accounts for liabilities that are known to exist but cannot be measured accurately.

Realised capital resources - Usable capital resources arising mainly from the disposal of fixed assets.

Related party during the financial period - Two or more parties are related when:

- one party has direct or indirect control over the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to the extent that the other party may not be able to pursue its own interests at all times
- influence from the same source results in one of the parties entering into a transaction that is against its own separate interests.

Glossary and Abbreviations

Reserve - The Council's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Council's accounts for specific purposes.

Residual life - The assumed remaining life of a fixed asset used in calculating depreciation.

Revaluation reserve - Records unrealised net gains from asset revaluations after 1 April 2007.

Revenue contributions to capital - The use of revenue funds to finance capital expenditure.

Revenue expenditure - The operating costs incurred by the Council during the financial year in providing its day-to-day services. It is distinct from capital expenditure on projects that benefit the Council over a period of more than one financial year.

Revenue Support Grant (RSG) - Government financial support that does not have to be spent on a particular service. It is based on the Government's assessment of the Council's spending need, its receipt from national business rates and its ability to generate income from the council tax.

RICS Red Book - contains the valuation standards, mandatory rules, best practice guidance and related commentary for all RICS members undertaking asset valuations.

Scheme for Financing Schools – Sets out the financial relationship between the Authority and the maintained schools which it funds.

Service Reporting Code of Practice for Local Authorities (SeRCOP) - The code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities; was formally known as the Best Value Accounting Code of Practice (BVACOP).

Short-term investments - An investment that is readily realisable.

SOLACE – Society of Local Authority Chief Executives

Specific grants - Central Government grants to finance a particular service.

Stocks - Goods that are acquired in advance of their use in providing services or their resale.

Straight-line basis - Dividing a sum equally between several years.

Useful life - Period over which the Council will benefit from the use of a fixed asset.

Work in progress - A product or service that is incomplete at the end of the year and is due to be recharged to an external body.

Write-off - Elimination of an asset or liability over a defined period, usually by means of charging or crediting the revenue account.

Abbreviations

AGS	Annual Governance Statement
AONB	Area of Outstanding Nature Beauty
CIPFA	Chartered Institute of Public Finance and Accountancy
DSG	Dedicated Schools Grant
FIAA	Financial Instruments Adjustment Account
FRICS	Fellow of The Royal Institute Of Chartered Surveyors
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
IAS	International Accounting Standards
IAS 16	Accounting for Property, Plant and Equipment
IAS 19	Accounting for Employee Benefits
IFRS	International Financial Reporting Standards
IT	Information Technology
NBV	Net Book Value
NNDR	National Non-Domestic Rate
PFI	Private Finance Initiative
PWLB	Public Works Loans Board
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
SORP	Statement of Recommended Practice
SeRCOP	Service Reporting Code of Practice, formally the Best Value Accounting Code of Practice
VAT	Value Added Tax
WBC	West Berkshire Council

Internal Audit Annual Report 2015/16 – Summary Report

Committee considering report:	Governance and Ethics Committee on 5 September 2016
Portfolio Member:	Councillor James Fredrickson
Date Portfolio Member agreed report:	23 June 2016
Report Author:	Ian Priestley
Forward Plan Ref:	GE3085

1. Purpose of the Report

- 1.1 To update the Committee on the outcome of internal audit work carried out during the second half of 2015-16
- 1.2 The Public Sector Internal Audit Standards, as adapted by CIPFA's "Local Government Application Note" requires the Chief Internal Auditor to make a formal report annually to the Council in order to present an opinion of the Council's internal control framework.
- 1.3 An interim report was made to the committee in January to address emerging issues This report builds on the interim report, without repeating any of the detail from that report, to provide the basis for Chief Internal Auditors opinion.

2. Recommendation

- 2.1 To note the report.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** None
- 3.6 **Property:** None
- 3.7 **Other:** None

4. Other options considered

- 4.1 None

5. Executive Summary

- 5.1 A summary of the internal audit work that is currently underway is at appendix A. Details of work completed during the second half of 2015-16 is at appendix B.
- 5.2 The following table summarises the results of the audit work where an opinion was given.

Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial System	0	0	0	7	0
Other systems	0	1	3	3	0

- 5.3 The audit that was rated as weak was Contract Letting – Legal Services.

- (1) We found robust processes for overseeing the re letting / extension of contracts over the £50,000 threshold as this is monitored by the Procurement Steering Group. Also, Legal Services are pro-active in being aware of and involved in the letting of contracts to ensure consistent terms and conditions are adequately reflected. However, there is no process to identify spending patterns where the value requires a contract to be entered into to ensure markets have been tested/value for money is obtained when the required Contract Rules of Procedure (CRP) thresholds have been met. We also found an issue with services not complying with the CRP requirements for obtaining three written quotes, the services were either not testing the market, or due to the procuring officer no longer being at the Council we could not establish how the contract was procured as there was no supporting information. (NB thresholds for tendering in the CRP are as follows:
- (a) Up to £9,999 one quote via the procurement portal
 - (b) £10,000 to £99,999 – three quotes via the procurement portal
 - (c) £100,000 to EU threshold – full process and five tenders sought via the procurement portal
 - (d) Above EU threshold – EU procedures apply and five tenders sought via the procurement portal)
- (2) Although this audit is listed against Legal Services, as noted above the main issues of concern relate to the way services across the Council are not always complying with the Council’s Contract Rules of Procedure. Also, the “Contracts Team” within Legal consists, now, of 1 FTE, so the scope for monitoring compliance across services is minimal.

- 5.4 The following summarises the results of follow up audits.

Type	Unsatisfactory	Satisfactory
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Key Financial Systems	0	7
Other systems	0	7

5.5 The results of the audit work in this period are very positive. Note, however, that the bulk of this audit work relates to the Key Financial Systems. These systems have been audited every year since 1998 and so one would expect them to be well controlled.

6. Conclusion

6.1 No fundamental weaknesses were identified in Council’s internal control framework through the work carried out by Internal Audit. Overall the internal control framework remains robust Appendices

6.2 Appendix A – Current Internal Audit Work

6.3 Appendix B – Completed Internal Audit work for the second half of 2015-16

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1) CURRENT AUDITS

Directorate/Service	Audit Title	Current Position of Work	Audit Plan Year
Corporate	National Fraud Initiative	Completing the exercise for 15/16	2015/16
Resources			
Finance	Budgetary Control	Being Reviewed	2014/15
Public Health and Wellbeing	Public Health	Draft Issued	2014/15
Customer Services	Council Tax	Testing	2015/16
Customer Services	Accounts Receivable	Testing	2015/16
Finance	Asset Management Strategy	Testing	2015/16
ICT and Corporate Support	Change Control Management	Background	2016/17

Communities			
Children & Family Services	Turnaround Families Programme – testing of grant claims	Ongoing testing of claims	2014/15
Children & Family Services	Section 17 Payments	Being Reviewed	2014/15
Children & Family Services	Guardianship/Residence Orders	Background	2016/17
Children & Family Services/Education Services	Respite	Draft issued	2014/15
Care Commissioning, Safeguarding and Housing	Disabled Facility Grants	Being Reviewed	2015/16
Education	Asset Project Management	Testing	2015/16
Education	Education Capital Programme	Testing	2015/16

Education	Property Database	Testing	2015/16
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Environment

Highways and Transport	Home to School Transport	Draft issued	2014/15
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2) CURRENT ADVISORY REVIEWS/OTHER WORK

Directorate/Service	Audit Title	Current position of work
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Communities	CareDirector System	Audit Manager undertaking an advisory role in the implementation of the new system
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3) CURRENT FOLLOW-UPS

Directorate/Service	Audit title
Resources	
Finance	Commercial Rents
Finance	Procurement Cards
Customer Services	Car Loans and Car Leasing
Human Resources	DBS Checks
Communities	
Environment	
Highways and Transport	Personal Vehicle Business Usage Checks
Culture & Environmental Protection	Trading Standards Joint Arrangement

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1) Completed Audits

Directorate/Service	Audit Title	Date Audit finalised	Overall Opinion
Resources			
Customer Services	Payroll	09/03/2016	Well Controlled
Customer Services	Accounts Receivable	26/11/2015	Well Controlled
Customer Services	Housing Benefits	11/11/2015	Well Controlled
Customer Services	Council Tax	20/11/2015	Well Controlled
Customer Services	NNDR	10/12/2015	Well Controlled
Human Resources	Staff Training and Development	05/04/2015	Satisfactory
Finance	General Ledger	21/01/2016	Very Well Controlled
Finance	Treasury Management	15/04/2016	Well Controlled
Finance	Insurance Claims Management-Potholes	26/02/2016	Satisfactory
Legal Services	Contract Letting	21/04/2016	Weak
Strategic Support/ICT & Corporate Support	Data Protection/Freedom of Information	24/11/2015	Well Controlled
ICT & Corporate Support	Superfast Broadband Project – Phase 1	07/10/2015	Not Applicable
Communities			
Education	Building Maintenance	01/03/2016	Satisfactory
Education	Schools Library and Museum Services Joint Arrangements	26/02/2016	Well Controlled

Environment			
Culture and Environmental Protection	Building Control	17/12/2015	Well Controlled

NOTE

The overall opinion is derived from the number/significance of recommendations together with using professional judgement. The Auditor's judgement takes into account the depth of coverage of the review (which could result in more issues being identified) together with the size/complexity of the system being reviewed.

3) COMPLETED FOLLOW-UPS

<u>Directorate/ Service</u>	<u>Audit Title</u>	<u>Date follow up finalised</u>	<u>Overall Opinion of Report</u>	<u>Opinion – Implementation progress</u>
Corporate	Capital Programme/Use of the Project Management Methodology	04/04/2016	Satisfactory	Satisfactory
Resources				
Customer Services	Accounts Receivable	26/11/2015	Well Controlled	Satisfactory
Customer Services	NNDR	10/12/2015	Well Controlled	Satisfactory
Customer Services	Council Tax	20/11/2015	Well Controlled	Satisfactory
Customer Services	Housing Benefits	11/11/2015	Very Well Controlled	Fully Implemented
Customer Services	Payroll	09/03/2016	Well Controlled	Satisfactory
Finance	General Ledger	21/01/2016	Very Well Controlled	Satisfactory
Finance	Treasury Management	15/04/2016	Well Controlled	Satisfactory
Finance	Health & Safety	31/03/2016	Satisfactory	Satisfactory
Finance	VAT	31/03/2016	Well Controlled	Satisfactory
ICT & Corporate Support	Printer Rationalisation Project – Post Implementation Review	18/12/2015	N/A	Satisfactory
ICT & Corporate Support	Manage Problems and Incidents - Helpdesk	18/12/2015	Well Controlled	Satisfactory
Communities				
Children & Family Services	Carers Payments	09/11/2015	Satisfactory	Satisfactory
Adult Social Care	Phoenix Centre	04/01/2016	Satisfactory	Satisfactory

Care Commissioning, Housing & Safeguarding	Communities Grant	21/04/2016	Weak	Satisfactory
Environment				

Annual Governance Statement - Summary Report

Committee considering report:	Governance and Ethics Committee
Portfolio Member:	Councillor James Fredrickson
Date Portfolio Member agreed report:	23 June 2016
Report Author:	Ian Priestley
Forward Plan Ref:	GE3084

1. Purpose of the Report

- 1.1 The report sets out the Annual Governance Statement (AGS) for the Council for 2015-16.
- 1.2 This report outlines issues that Officers considered should be included in the 2015-16 AGS as requiring action to resolve.

2. Recommendation

- 2.1 The Annual Governance Statement sets out actions to mitigate risks to the Council's governance arrangements, these should be considered and approved by the Committee.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** The report aims to highlight any weaknesses in the Council's governance arrangements including any significant / critical risks.
- 3.6 **Property:** none
- 3.7 **Other:** none

4. Other options considered

- 4.1 None

5. Executive Summary

- 5.1 This report outlines the purpose of the Annual Governance Statement (AGS) and explains how the necessary assurance to support the AGS has been obtained. This should enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.
- 5.2 The AGS is designed to provide stakeholders of the Council with assurance that the Council has operated within the law and that the Council has met the requirements of the Accounts and Audit Regulations:
- “The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control”.
- 5.3 A copy of the AGS for 2015-16 is attached to this report, for review, at Appendix A.
- 5.4 The Council relies on a number of sources of information to carry out the review of the system of internal control. These are:
- (1) Head of Service Assurance Statements and service risk registers (appendices B & C)
 - (2) The Chief Internal Auditors annual report
 - (3) The Monitoring Officer’s annual report
 - (4) The s151 Officer’s annual report
 - (5) Reports from external regulators, eg OFSTED, KPMG (the Council's External Auditor), the LGA (peer review process).
- 5.5 This evidence provides the assurance that enables the Leader and Chief Executive to sign the AGS with confidence.
- 5.6 The Annual Governance Statement was prepared by the Finance and Governance Group and reviewed by the Risk Management Group and Corporate Board.
- 5.7 A key element of the review of the system of internal control is the identification of any weaknesses or risks in the system, along with recommendations to mitigate such issues. Then in the subsequent year further report is made on progress with implementing agreed recommendations.
- 5.8 The Annual Governance Statement for 2014-15 outlined two issues of concern. These were:
- (1) the OFSTED review of Children and Family Services. The Council has, during 2015-16 implemented an action plan, agreed with the DFE to remedy the weaknesses identified by Ofsted.
 - (2) the Council's overall financial position, given a number of pressures that are likely to be difficult to finance. The Council implemented a savings programme to ensure that a balanced budget could be delivered.

- 5.9 Two issues have been identified as requiring action in this year's AGS. These relate to:
- (1) A number of Judicial Reviews have been raised against the Council in connection with proposed service reductions. The Council will take action to defend against the JRs.
 - (2) The Council's financial position remains challenging and further service reductions will be required over coming years in order to deliver a balanced budget.
- 5.10 A key function of the Governance and Audit Committee is to review and approve the AGS for 15-16 prior to it being signed off by the Chief Executive and Leader of the Council.
- 5.11 In order to be able to review the AGS the Committee needs to examine the evidence, noted in 5.4, above, that supports the AGS. This evidence is presented in separate reports.

6. Conclusion

- 6.1 The Council has robust governance arrangements in place and continues to be able to deal, effectively, with issues identified in the annual review of these arrangements.

7. Appendices

- 7.1 Appendix A – Annual Governance Statement – 2015-16
- 7.2 Appendix B – Summary of Heads of Service Assurance Statements
- 7.3 Appendix C – Pro-forma for the Head of Service Assurance Statement

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Annual Governance Statement

1 Scope of responsibility

- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 West Berkshire Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- 1.4 This statement explains how West Berkshire Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations.

2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which West Berkshire Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables West Berkshire Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

- 3.1 The key elements of the systems and processes that comprise West Berkshire Council's governance arrangements are set out below and include arrangements for:
 - Identifying and communicating West Berkshire Council's Strategy that sets out its purpose and intended outcomes for citizens and service users;
 - Reviewing West Berkshire Council's Strategy and its implications for West Berkshire Council's governance arrangements;

- Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's Strategy and ensuring that they represent the best use of resources;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- Consultation on the budget and any proposed budget reductions are planned in good time and adhere to the Council's own consultation policy. As part of any consultation on the budget the Council is cognisant of the "Gunning" principles that require the Council to consult at the formative stage which would mean potential options being available for the residents to comment on. Clearly as the Council's budget reduces and the pressure on further reductions increases this approach becomes more difficult. However, where options are available the Council will seek the views of the residents. The Council will also continue to ensure that the requirements of an Equality Impact Assessment are met and ask our residents how a proposed reduction in service might impact on them and how they could help to mitigate the impact;
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, The Scheme of Delegation, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)";
- The Governance and Ethics Committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities";
- The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Conducting a regular review of the effectiveness of Internal Audit;
- Whistle blowing procedures for receiving and investigating complaints from staff or the public;
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training;

4 Review of effectiveness

- 4.1 West Berkshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within West Berkshire Council who have responsibility for the development and maintenance of the governance environment.
- 4.2 The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework, and includes:
- The work of the Finance and Governance Group reviewing the Constitution on annual

basis and referring changes to the Governance and Ethics Committee and Council;

- The work of the Risk Management Group and the Risk Management framework;
- The annual assurance statements produced by Heads of Service;
- The work of the Governance and Ethics Committee;
- The work of Internal Audit; and
- The work of the Overview and Scrutiny Management Commission.
- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman and external auditor KPMG.
- Commissioning regular external peer reviews by the Local Government Association.

4.3 We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Governance and Ethics Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant governance issues identified in the AGS for 2014/15

5.1 The following is an outline of the significant governance issues that were identified in preparing the 2014/15 AGS.

- Children Services, OFSTED review – the practice issues identified in children and family services in 2014/15 and addressed through the implementation of the recruitment and retention package and related measures had not been sufficiently improved by the time OFSTED inspected the service in March 2015. As a result the service was judged to be inadequate for “help and protection” and therefore inadequate for “overall effectiveness”. As a consequence of this judgement the Department of Education is considering issuing the Council with an “Improvement Notice”. The form this will take, and whether an Improvement Board will be required, is currently under discussion between the Council and the DfE.
- Resourcing service delivery – The Council’s Medium Term Financial Strategy highlighted a funding gap of very significant proportions that has impacted on the Council’s ability to deliver the outcomes set out in the Council Strategy. Key unfunded pressures included:
 1. Care Act funding, was subject of a Judicial Review taken by the Council against the Department of Health
 2. Moving the Children’s Service from an “inadequate” to a “good” rating, as set out in the Council Strategy
 3. Placement costs for Children’s Services
 4. John O Gaunt School funding gap
 5. Volatility around the business rate retention.
 6. The budget, planned for July and subsequent “Spending Review” may result in further grant cuts, greater than allowed for in current plans.

5.2 The following measures were implemented during 2015/16:

- Children's Services, OFSTED review - The Council implemented the Improvement Plan that was prepared in response to the OFSTED inspection judgement.
- Resourcing – The Council has drawn up and is implementing a savings programme that should ensure the Council is able to deliver services within significantly reduced, but nevertheless balanced, budget for 2016-17.

6 Significant Governance Issues identified in 2015/16

6.1 The following is an outline of the significant governance issues identified in 2015/16.

- The Council is facing a number of Judicial Reviews in connection with the delivery of planned savings. If the outcome of these is adverse this will impact on the Council's ability to deliver the 16/17 savings programme.
- The Council's financial position remains very challenging.

6.2 The following measures will be implemented during 2016/17:

- The Council has a good record of defending Judicial Reviews, and will seek to continue to do so.
- The Council will monitor the delivery of savings that have already been approved, and will work to ensure a balanced budget can be set for 2017/18.

Signed:

Nick Carter – Chief Executive

Roger Croft – Leader of the Council

Appendix B - Summary of returns of Heads of Service Assurance Statements

Resources

Service	Assurance Statement received	Risk Register Received	
Public Health and Wellbeing	Yes	Yes	
Legal Services	Yes	Yes	
Finance	Yes	Yes	
Strategic Support	Yes	Yes	
ICT and Corporate Support	Yes	Yes	
Human Resources	Yes	Yes	
Customer Services	Yes	Yes	

Environment

Service	Assurance Statement received	Risk Register Received	
Highways and Transport	Yes	Yes	
Planning and Countryside	Yes	Yes	
Culture and Environmental Protection	Yes	Yes	

Communities

Service	Assurance Statement received	Risk Register Received	
Education	Yes	Yes	
Children's Services	Yes	Yes	
Adults Social Care	Yes	Yes	
Care Commissioning, Housing and Safeguarding	Yes	Yes	
Prevention & Developing Community Resilience	Yes	Yes	

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Appendix C

Annual Governance Statement – Head of Service Assurance Statement Guidance note for officers completing the Statement

The Accounts and Audit Regulations requires the Council to publish an Annual Governance Statement (AGS). The AGS is prepared annually by the “Finance and Governance Group” and is signed by the Leader and Chief Executive. In summary the AGS is a statement of assurance to the effect that:

- The Council has followed the 6 principles of Corporate Governance, outlined in the CIPFA / SOLACE publication “Delivering Good Governance in Local Government” and confirmed in the Council’s own Local Code of Corporate Governance
- the Council has an effective Internal Control Framework (ICF) in place
- the ICF has been reviewed in the preceding year. (It must be reviewed annually)
- that any weaknesses that have been identified in the ICF are being dealt with through an appropriate action plan.

Each Head of Service is responsible for delivering the objectives set out in their Service Delivery Plan. Heads of Service are responsible for identifying and managing the risks that may affect delivery of service objectives / manifesto pledges they are responsible for. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place.

Each Head of Service is required to assist the preparation of the AGS for the Council by providing an assurance statement for the internal control framework within their service. Taken together the assurance statements from the Heads of Service will form a key part of the evidence that supports the signing of the AGS by the Leader and Chief Executive.

An outline recommended Statement of Assurance is attached.

The Head of Service should read and **amend as appropriate** the Statement before signing the statement.

The signed statement should be passed to your Corporate Director to be reviewed and countersigned.

An electronic copy of the Statement, **with an electronic copy of the up to date service risk register**, should be emailed to ipriestley@westberks.gov.uk.

Statement of Assurance forService – 2015/16

1	<p>Statutory obligations & Local Code of Corporate Governance</p> <p>I have identified all principal statutory obligations and these are identified in my Service Delivery Plan. The Service Delivery Plan clearly sets out how the statutory obligations will be delivered. The principles of Corporate Governance outlined in the Council’s Local Code of Corporate Governance have been consistently applied in the delivery of this Service.</p>	
2	<p>Service Risk Register</p> <p>I have identified all risks that may affect the delivery of the Service Delivery Plan objectives and the manifesto pledges that I am responsible for. My Service Management Team has reviewed the register each quarter. I have reviewed the risk register with my Corporate Director each quarter. A copy of the Risk Register is attached to this statement.</p>	
3	<p>Internal Controls</p> <p>I have identified controls that are designed to mitigate the risks identified in 2 above. I have assigned responsibility for the effective operation of each control to a nominated officer. I have, through the 1.2.1 process, obtained assurance and evidence from each nominated officer that the controls have been tested and are operating effectively. I confirm that all my Budget Holders are aware of and have read the Council’s Financial and Contracts Rules of Procedure that are available as part of the Council’s Constitution on the Intranet.</p>	
4	<p>Control Weaknesses</p> <p>I have identified risks that are considered to be significant (Red) and that do not at present have effective controls to mitigate the level of risk. I have put in place action plans to provide effective controls going forwards where resources allow. I have through 1.2.1’s and my Service Management Team, ensured continuous review of the progress of action plans. Where action plans have fallen behind schedule the Corporate Director has been informed Where resources are not available to deliver the required controls the Corporate Director has been informed.</p>	

Statement of Assurance forService – 2015/16

5	<p>Major Projects</p> <p>A risk register and action plan has been prepared for all major projects. The Corporate Board has been kept up to date on all issues relating to the risks to the delivery of each project. The Council’s Project Management Methodology has been applied for all projects.</p>	
6	<p>Overall Assurance from Head of Service</p> <p>In my opinion the internal control framework of this Service is soundly based. All significant risks to the service objectives have been identified and controls are in place to mitigate those risks. The exceptions to this are listed in the Action plan to the Service Risk Register which also outlines progress towards implementing outstanding controls.</p> <p>Signed byHead of Service</p> <p>Date</p>	
7	<p>Corporate Director Review</p> <p>I have reviewed the processes set out above and the Service Risk Register and Action Plan, copy attached, with the Head of Service on an ongoing basis during the year both at 1.2.1’s and at Service Group Management Team meetings.</p> <p>I agree with the opinion of the Head of Service set out in 6 above.</p> <p>Where actions to remedy weaknesses have fallen behind schedule, or resources available to deliver effective controls are inadequate I have drawn this to the attention of Corporate Board and the relevant portfolio holder.</p> <p>Signed byCorporate Director</p> <p>Date</p>	
8	<p>Portfolio Holder Review</p> <p>I have reviewed the statements contained above and the copy of the Service Risk Register and Action Plan which is attached.</p> <p>Signed byPortfolio Holder</p> <p>Date</p>	

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Annual Governance Statement - Statement in Support by the Section 151 Officer – Summary Report

Committee considering report:	Governance and Ethics Committee on 22 August 2016
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	
Report Author:	Andy Walker
Forward Plan Ref:	GE3086

1. Purpose of the Report

- 1.1 To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Section 151 Officer.

2. Recommendation

- 2.1 To note the report.

3. Implications

- 3.1 **Financial:** No financial implication associated with this report.
- 3.2 **Policy:** Established as part of CIPFA guidance and reporting arrangements adopted by Council in connection with the Annual Governance Statement.
- 3.3 **Personnel:** N/A
- 3.4 **Legal:** In accordance with the provisions of the Local Government Acts 1972 and 2000 and the Local Government and Housing Act 1985 together with any amendments thereto. In addition the Local Government & Public Involvement in Health Act 2007 is applicable.
- 3.5 **Risk Management:** Insofar as is possible any risks have been assessed in accordance with the Risk Strategy.
- 3.6 **Property:** N/A
- 3.7 **Other:**

4. Other options considered

- 4.1 None.

Executive Summary

5. Introduction

- 5.1 As part of the Annual Governance Statement, CIPFA guidance recommends that the Section 151 Officer provides "a key source of assurance that the Council's systems and procedures of internal control which are in operation are effective, efficient and being complied with". The Chief Financial Officer/ s151 Officer is to ensure that all parts of the Council act in accordance with the budgetary and policy requirements in connection with the setting of the budget and financial administration standards within the Council.

6. Proposals

- 6.1 The definitive Statement on the Role of the Finance Director in Local Government is set out in a CIPFA publication of 2003. This identifies 5 key roles:
- Maintaining strong financial management underpinned by effective financial controls;
 - Contributing to corporate management and leadership;
 - Supporting and advising democratically elected representatives;
 - Supporting and advising officers in their operational roles; and
 - Leading and managing an effective and responsive financial service.
- 6.2 The s151 Officer is required to report to all the local authority's Members, in consultation with the Head of Paid Service and the Monitoring Officer if there is, or there is likely to be, unlawful expenditure or an unbalanced budget. Such a report known as a Section 114 report derives from the Local Government Finance Act 1998 as updated by the 2000 Act and Members of the Council are required to have regard to the s151 Officer's advice. Not to do so would be a breach of the Code of Conduct for Members.

7. Equalities Impact Assessment Outcomes

- 7.1 This item is not relevant to equality.

8. Conclusion

- 8.1 Overall it is the s151 Officer's assessment that all parts of the Council acts in accordance with the budgetary and policy requirements in connection with the setting of the budget and meets financial administration standards as set out in legislation. There have been no formal reports required by the s151 Officer to Council under the relevant legislation. The report is to be noted.

9. Appendices

Appendix A - Supporting Information

Corporate Board's recommendation:

Report to proceed to Operations Board for information.

Annual Governance Statement – Statement in Support by the Section 151 Officer – Supporting Information

1. Background

- 1.1 As part of the Annual Governance Statement, CIPFA guidance recommends that the Section 151 Officer provides "a key source of assurance that the Council's systems and procedures of internal control which are in operation are effective, efficient and being complied with". The Chief Financial Officer/ s151 Officer is to ensure that all parts of the Council act in accordance with the budgetary and policy requirements in connection with the setting of the budget and financial administration standards within the Council.

2. Role of the Section 151 Officer

- 2.1 The definitive Statement on the Role of the Finance Director in Local Government is set out in a CIPFA publication of 2003. This identifies 5 key roles:
- Maintaining strong financial management underpinned by effective financial controls;
 - Contributing to corporate management and leadership;
 - Supporting and advising democratically elected representatives;
 - Supporting and advising officers in their operational roles; and
 - Leading and managing an effective and responsive financial service.
- 2.2 The s151 Officer is required to report to all the local authority's Members, in consultation with the Head of Paid Service and the Monitoring Officer if there is, or there is likely to be, unlawful expenditure or an unbalanced budget. Such a report known as a Section 114 report derives from the Local Government Finance Act 1998 as updated by the 2000 Act and Members of the Council are required to have regard to the s151 Officer's advice. Not to do so would be a breach of the Code of Conduct for Members. Specified and explicit provision is now included in the Revised Code of Conduct adopted by the Council. Any breaches will be dealt with locally.
- 2.3 Each year the s151 Officer reports as part of the budget decision making process his opinion on the adequacy of reserves and robustness of the budget estimates.
- 2.4 The s151 Officer is consulted about a wide range of discretions under the Council's constitution, in particular exceptions under the financial rules of procedure and the contract rules of procedure. The s151 Officer maintains a record of all such exemptions given and discretions sought and granted. From a legal perspective the Monitoring Officer is also involved in certain decisions and records such involvement.
- 2.5 Throughout the year budget monitoring ensures that any budget overspends or income shortfalls are identified and corrective measures can be put in place to

ensure that the overall council revenue budget keeps within the policy and budgetary framework agreed at the annual budget setting process. In 2015/16 the provisional outturn has delivered an overspend of £115k against the budget. This result only represented a 0.1% variance to the Council Budget for 2015/16 and which is considered reasonable.

- 2.6 All Executive or other decision making body reports have clearly set out financial recommendations. It is the responsibility of the s151 Officer to ensure that the financial implications of all such decisions are adequately considered and that recommendations are based upon prudent financial advice. The s151 Officer is a member of Corporate Board and involved in all significant resource decisions and in particular key decisions of the authority.
- 2.7 The Council has a Medium Term Financial Strategy in place. There is also a Finance and Governance Group of Officers whose membership includes both the s151 Officer and Monitoring Officer overseeing and monitoring all aspects of financial governance and escalating where necessary any issues that need Corporate Board action and support.
- 2.8 There has been no necessity to implement the Section 114 process during 2015/16 and the s151 Officer confirms the robustness of the financial and budgetary frameworks. However, the Council is facing a number of significant financial pressures in the coming years and will need to rely heavily on these frameworks in place to deliver a balanced budget for 2017/18.

3. Conclusion

Overall it is the s151 Officer's assessment that all parts of the Council acts in accordance with the budgetary and policy requirements in connection with the setting of the budget and meets financial administration standards as set out in legislation. There have been no formal reports required by the s151 Officer to Council under the relevant legislation.

Subject to Call-In:

Yes: No:

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

Please put a cross in the appropriate box(es) by double-clicking on the box and selecting 'Checked':

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim(s):

- BEC – Better educated communities**
- SLE – A stronger local economy**
- P&S – Protect and support those who need it**

-
- HQL – Maintain a high quality of life within our communities**
 - MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priority(ies):

- BEC1 – Improve educational attainment**
- BEC2 – Close the educational attainment gap**
- SLE1 – Enable the completion of more affordable housing**
- SLE2 – Deliver or enable key infrastructure improvements in relation to roads, rail, flood prevention, regeneration and the digital economy**
- P&S1 – Good at safeguarding children and vulnerable adults**
- HQL1 – Support communities to do more to help themselves**
- MEC1 – Become an even more effective Council**

Officer details:

Name: Andy Walker
Job Title: Head of Finance (s151 Officer)
Tel No: (01635) 519433
E-mail Address: andy.walker@westberks.gov.uk

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Annual Governance Statement – Statement in support by the Monitoring Officer – Summary Report

Committee considering report:	Governance and Ethics Committee on 5 September 2016
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	
Report Author:	David Holling
Forward Plan Ref:	GE 3087

1. Purpose of the Report

- 1.1 To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.

2. Recommendation

- 2.1 To note the report.

3. Implications

- 3.1 **Financial:** No financial implication associated with this report.
- 3.2 **Policy:** Established as part of CIPFA guidance and reporting arrangements adopted by Council in connection with the Annual Governance Statement.
- 3.3 **Personnel:** N/A
- 3.4 **Legal:** In accordance with the provisions of the Local Government Acts 1972 and 2000 and the Local Government and Housing Act 1989 together with the Local Government and Public Involvement in Health Act 2007 and Localism Act 2011.
- 3.5 **Risk Management:** Insofar as is possible any risks have been assessed in accordance with the Risk Strategy.
- 3.6 **Property:** N/A
- 3.7 **Other:**

4. Other options considered

- 4.1 Reason for decision to be taken - In accordance with CIPFA Guidance and current policy of the Council.
- 4.2 Key background documentation:

- Reports to Governance & Ethics Committee relating to alleged breaches of the Code of Conduct during 2015/2016
- Action plans relating to risk
- Updates to the constitution
- Other reports on potential impacts of legislation.

5. Executive Summary

5.1 Introduction

5.1.1 As part of the Annual Governance statement, CIPFA guidance recommends that the S151 and Monitoring Officers give assurance that the Council's systems and procedures for which they have responsibility regarding internal controls are effective and being complied with. The Monitoring Officer looks at the legality of actions by bodies within the Council as part of duties under Section 5 of the Local Government and Housing Act 1989 (the 1989 Act).

5.2 Proposals

5.2.1 Throughout the year the Governance and Ethics Committee is referred to amendments to the Council's constitution and its rules of procedure where amendment is necessary. Subject to its view, matters are then referred to Council for adoption. This ensures that administrative processes remain effective, efficient and pertinent.

5.2.2 Ethics and matters of probity are dealt with by Governance and Ethics Committee. The development of a complaints regime as regards complaints about District and Parish Members has been reviewed and updated following the Localism Act 2011. Members have been updated on changes to Standards arrangements and the processes for dealing with complaints. Training has been provided to new and existing members on the Code of Conduct and ethical matters. A Task Group has been set up to review the Code of Conduct and is aiming to report to Council in September.

5.2.3 Reviews of risk registers have been carried out by the Monitoring Officer and S151 Officer in their roles as members of the Council's Corporate Board. In addition, liabilities likely to impact upon the Council's operations from a legal perspective where appropriate have been identified.

5.3 Equalities Impact Assessment Outcomes

5.3.1 There is no decision to be made which impacts on Equality matters.

6. Conclusion

6.1 The Monitoring Officer's view of the Council's governance arrangements are that they are robust and effective. The governance of the Council through the systematic review of the Constitution and the relatively low level of complaints indicates that there is little that needs attention if the current arrangements are followed. There has been no necessity to report formally to Council under Section 5 of the 1989 Act.

Ethical matters are managed by the Governance and Ethics Committee. The report is to be noted.

7. Appendices

- 7.1 Appendix A - Supporting Information
- 7.2 Appendix B – Equalities Impact Assessment

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Annual Governance Statement – Statement in support by the Monitoring Officer – Supporting Information

1. Introduction

- 1.1 As part of the Annual Governance Statement, CIPFA guidance recommends that the Monitoring Officer and Section 151 Officer provide "a key source of assurance that the Council's systems and procedures of internal control which are in operation are effective, efficient and being complied with". In essence this requires the Monitoring Officer, as the Officer charged with ensuring that the Council, and every part of it, acts legally and is not acting in a manner thought to constitute maladministration or injustice. In addition, the Chief Financial Officer/S151 Officer similarly ensures that all parts of the Council act in accordance with the budgetary and policy requirements in connection with the setting of the budget and financial administration standards within the Council.
- 1.2 This report reviews the Annual Governance Statement and its requirements, in particular relating to ethical and probity matters, any changes to the Constitution regarding regulation and guidance, together with an assessment of risks and liabilities.

2. The Role of the Monitoring Officer

- 2.1 Section 5 of the Local Government and Housing Act 1989 requires the Monitoring Officer to prepare a formal report to full Council where it appears that the Council, a committee or an Officer has acted or is likely to act illegally, or in a manner such as to constitute maladministration or injustice. The Monitoring Officer's role in essence is to ensure the legality of local governance arrangements based upon statutory requirements and guidance from Government and other outside bodies. As mentioned above, this role complements that of the Section 151 Officer and the Head of Paid Service (the Chief Executive) whose roles are also established by statute. The Monitoring Officer is part of the Council's Corporate Board and attends meetings of the Finance and Governance Group which looks at use of resources and has taken on the role of reviewing the constitution in a systematic way. If changes are necessary due to legislative impacts or administrative arrangements these are reported to Corporate Board, the Governance and Ethics Committee and ultimately Council for member adoption. The process is open and transparent.
- 2.2 The formal report process under Section 5 is one which should be approached with extreme caution and should not be undertaken lightly. If such action is proposed it is generally the view that outside advice from Counsel should be sought by the Monitoring Officer. During 2015/16 there have been no reports or investigations necessary which fall within the requirements of Section 5 of the 1989 Act.

- 2.3 The Monitoring Officer's advice has been sought in connection with a number of day-to-day administrative matters and in particular advice in connection with the Code of Conduct for Members and Officers. Training has been provided for Members and Officers on the Council's Code of Conduct and Officer Code. In addition support regarding the Code has been provided for Town and Parish Councils and on occasion for individual parishes following recommendations from Governance and Ethics Committee if considered appropriate.
- 2.4 During the year a Task Group of the Governance and Ethics Committee was established to review and revise the Code of Conduct and make it more user friendly for those using it. The outcome of the review will be considered by Council in September and it is anticipated that training will be provided to members of the Council and those Parishes which have adopted the Council's Code.

3. Robustness of corporate governance arrangements

- 3.1 As Members will be aware, the Governance and Ethics Committee considers reports throughout the year regarding certain amendments which have been required in connection with changes to the Constitution.
- 3.2 During 2010/11 following an audit of the Constitution and its processes the Finance and Governance Group of Officers which includes the Monitoring Officer, S151 Officer, Chief Internal Auditor and Head of Strategic Support began a systematic review of each part of the Constitution. This process has resulted in a number of changes to various parts some brought about due to legislative changes and others as a result of administrative arrangements within the Council. This process continued into 2015/16 and has taken into account the impacts of new legislation which introduced changes to service provision at various levels within the Council.
- 3.3 This systematic review of the Constitution ensures that the Council's administrative arrangements remain effective and efficient bearing in mind changes imposed by government and other bodies as well as improving transparency and openness. This process has been recognised as good best practice.

4. Ethics & Probity

- 4.1 As in previous years, ethics and probity matters were considered by the Council's Governance and Ethics Committee. Advice for Members of West Berkshire Council and Parish and Town Councils on the Code has been given in order that the Council fulfils its role as "Responsible Authority" under the Local Government Act 2000 and the Localism Act 2011.
- 4.2 Whilst there were complaints and references to the Assessment Panel of Governance and Ethics Committee throughout 2015/16 few required full investigation. There was a slight increase during the year but overall the number of complaints remains low which may be due to better behaviour or as a result of the lack of sanctions available under the standards regime. Complaints have been considered at local level and will continue to be governed under the revised ethical framework introduced by the Council under the 2011 Act.
- 4.3 The number of complaints has remained relatively static. The Council's website provides a complaints form and a detailed process to deal with breaches of the Codes of Conduct adopted at District and Parish level.

5. Implementation of Action Plans from Strategic Risk Register

5.1 All strategic risks are placed on a risk register and reviewed by Corporate Board and Management Board throughout the year. All major risks were considered by individual groups of Officers dealing with particular projects and actions arising from the “red risks” on service risk registers have been reviewed to ensure that the council’s risks items are considered at the highest level. Both the Monitoring Officer and S151 Officer sit on the Corporate Board and attend Management Board.

6. Potential Liabilities

6.1 Whilst there have been cases considered by various courts during the year, none of these were of significance to warrant particular risks being identified. There have been major cases in the Crown Court and judicial reviews of certain decisions. These cases are closely monitored by Legal staff and where appropriate referred to the relevant Risk Register. Overall there has been an increase in the number of instructions received by Legal Services from services throughout the Council. The Council was challenged in two judicial reviews during the year the outcomes of which may have potential for impacts on services within the Council as well as budgetary implications.

6.2 There are outstanding cases where contingent liabilities have been identified by officers and risks recognised and moderated at Service and Council level by various actions.

7. Conclusion

7.1 It is the Monitoring Officer’s assessment that the Council’s governance arrangements are robust and effective. As a result of regular reviews of legislation, changes to processes and procedures are covered by Governance and Ethics Committee. The Constitution and its associated rules are reviewed systematically to ensure they are up to date. There is little more in the Monitoring Officer’s opinion that requires attention. There have been no formal reports required by either the Monitoring Officer or S151 Officer to Council under the relevant legislation. Ethical matters relating to probity are being managed on a day to day basis by the Monitoring Officer and if there are complaints regarding behaviour by the Governance and Ethics Committee. The Risk Register does not highlight any specific legal or procedural matters which require investigation.

8. Consultation and Engagement

8.1 Officers Consulted: Andy Day; Ian Priestley; Andy Walker; Corporate Board.

Background Papers:

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council’s position

Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months

Item is Urgent Key Decision

Report is to note only

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim and priority:

X MEC – Become an even more effective Council

X MEC1 – Become an even more effective Council

The proposals contained in this report will help to achieve the above Council Strategy aims and priorities by:

Reviewing and providing assurance on the effectiveness of the Council's governance and other arrangements which may impact on the Annual Governance Statement.

Officer details:

Name: David Holling

Job Title: Head of Legal Services/Monitoring Officer

Tel No: 01635 519422

E-mail Address: dholling@westberks.gov.uk

Appendix B

Equality Impact Assessment – Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage 2, Equality Impact Assessment is required.

Name of policy, strategy or function:	Annual Governance Statement – Statement in Support by the Monitoring Officer
Version and release date of item (if applicable):	V1
Owner of item being assessed:	David Holling
Name of assessor:	David Holling
Date of assessment:	07.07.2016

Is this a:		Is this:	
Policy	Yes/No	New or proposed	No
Strategy	Yes/No	Already exists and is being reviewed	Yes
Function	Yes	Is changing	No
Service	Yes/No		

1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it?	
Aims:	To ensure compliance with CIPFA guidance and the legalities of the Local Government Acts and other legislation
Objectives:	To maintain transparency and give assurance that the Council's systems and procedures are effective and are being complied with
Outcomes:	Ensure good practice effective and efficient process within a legal framework
Benefits:	Reduce risk of challenge to process and procedure and maintain compliance with current legislation

2. Note which groups may be affected by the policy, strategy, function or service. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.

(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
Further Comments relating to the item:		

3. Result	
Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer The review of systems and processes ensure that the Council acts in accordance with current legislation and maintains transparent and effective controls over all its activities	
Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer: The systematic review of the Constitution ensures that all processes and systems are compliant with duties imposed upon the Council under changing legislation to the benefit of those interacting with the Council.	

If your answers to question 2 have identified potential adverse impacts and you have answered ‘yes’ to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage 2 Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

4. Identify next steps as appropriate:	
Stage Two required	No
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	

Name:

Date:

Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website.

Changes to the Constitution - Part 11 (Contract Rules of Procedure) – Summary Report

Committee considering report:	Council on 15 September 2016 Governance and Ethics on 5 September 2016
Lead Member:	Chairman of Governance and Ethics Committee
Date Portfolio Member agreed report:	TBC
Report Author:	David Holling
Forward Plan Ref:	C3134

1 Purpose of the Report

- 1.1 To review and if appropriate amend Part 11 (Contract Rules of Procedure) following a request from the Procurement Board to do so.

2 Recommendations

- 2.1 To consider and agree, if appropriate, the proposed amendments to Part 11 (Contract Rules of Procedure) and to discuss any additional changes required.
- 2.2 To agree that any changes will come into effect on the 06th July 2016.

3 Implications

- 3.1 **Financial:** S151 Officer at the Finance, Audit & Governance Group approved the amendments to Part 11 of the Constitution
There will be no costs associated with making the amendments to the Constitution
- 3.2 **Policy:** Will require changes to Part 11 of the Constitution
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** None
- 3.6 **Property:** None
- 3.7 **Other:** None

4 Other options considered

- 4.1 Not to agree the changes

5 Executive Summary

- 5.1 Following an internal audit of the management of the Constitution in 2010 it was noted that one of the responsibilities of the Finance and Governance Group is to have ownership of the Council's Constitution. The content of the Local Code of Corporate Governance says that there will be an annual review of the operation of the Constitution. A timetable has been established for the Finance and Governance Group to review individual sections of the Constitution and this work is ongoing.

Part 11 Contract Rules of Procedure

- 5.2 A number of changes were made to Part 11 of the Council's Constitution (Contract Rules of Procedure) in May 2015 to ensure that the Council was acting in accordance with the Public Contracts Regulations 2015. The changes included the setting of thresholds delegating decision making as follows:

Total Contract Value £	Delegated decision or Resolution of:
Up to £99,999	Relevant Head of Service (or such officers as nominated by the Head of Service in writing) shall have delegated authority to award the contract.
£100,000 to £499,999	Relevant Head of Service following recommendation of S151 officer and Head of Legal Services shall submit a report to Corporate Board seeking delegated authority to award the contract in consultation with the S151 officer and Head of Legal Services.
Over £500,000	These contracts shall require a key decision of the Executive following recommendation by S151 officer and Head of Legal Services. Executive shall receive a report from the relevant officer either recommending for the contract to be awarded or seeking delegated authority for the relevant Head of Service to award the contract in consultation with the relevant Portfolio Holder, s151 officer and the Head of Legal Services.

- 5.3 The revised rules have been in place since May 2015 and Officers have now been asked to amend the thresholds by both Corporate Board and Procurement Board to reduce the number of contracts that require Executive approval. Under paragraph 11.4.4 transactions falling outside of the Capital Programme (e.g. revenue) and where the relevant Head of Service does not have the delegated authority to award the contract an approval or a resolution of the Executive is required.
- 5.4 The changes proposed affect mainly contracts over the £500,000, threshold; however some minor changes to the other thresholds are required to address clarity. The proposed table of amendments is set out below: -

Contract Value £	Delegated decision or Resolution of:
Total Contract value of up to £99,999.	Relevant Head of Service (or such officers as nominated by the Head of Service in writing) shall

Contract Value £	Delegated decision or Resolution of:
	have delegated authority to award the contract.
Total Contract value of between £100,000 and £499,999.	<p>Relevant Head of Service (following recommendation of the S151 officer and Head of Legal Services) shall have delegated authority to award the contract following</p> <p>a) a written report by the relevant Head of Service (or such officers as nominated by the Head of Service in writing) has been provided and approved by the Procurement Board; and</p> <p>b) the report has been included as an “item for information” item for the Corporate Board.</p>
For contracts exceeding £500,000 in total value and up to £2.5million per annum.	<p>The award of these contracts shall require a “key decision”(as defined in Part 5.1.1 of the Constitution) delegated to be taken by relevant Head of Service in consultation with the relevant Portfolio Holder (following recommendation by the relevant Corporate Director, S151 officer and Head of Legal Services) to award the contract provided:</p> <p>a) a written report by the relevant Head of Service (or such officers as nominated by the Head of Service in writing) has been provided and approved by the Procurement Board; and</p> <p>b) the report has been included as an “Item for information” item for the Corporate Board and to the Operations Board.</p> <p>c) such decision has been made in accordance with Part 5.3 and 5.4 of the Constitution.</p>
For contracts exceeding £2.5million per annum.	<p>These contracts shall require a key decision of the Executive following recommendation by S151 officer and Head of Legal Services. Executive shall receive a report from the relevant officer either recommending for the contract to be awarded or seeking delegated authority for the relevant Head of Service to award the contract in consultation with the relevant Portfolio Holder, s151 officer and the Head of Legal Services.</p>

5.5 Paragraph 11.11.11 (Exclusions and Exceptions to Contract Rules of Procedure) of the Constitution already identifies that the requirement to conduct a competitive procurement process is excluded in certain circumstances including:

- where the contract is excluded under the Procurement Legislation;
- where the proposed contract is being awarded under a Purchasing Scheme;
- where the proposed contract is an extension to or a variation of the scope of an existing contract where the existing contract provides for such extension or

a variation or where the variation is a modification permitted under the Procurement Legislation;

- where the contract is for specified social care services.

- 5.6 It should however be noted that all key decisions taken by the Council need to appear on the Council's Forward Plan. In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 where a decision maker intends to make a key decision, that decision must not be made until at least 28 days public notice (Forward Plan) has been given that such a decision is to be made.
- 5.7 Under the Regulations a key decision is an executive decision, which is likely:
- (a) to result in the relevant local authority incurring **expenditure** which is, or the making of savings which are, **significant** having regard to the relevant local authority's budget for the service or function to which the decision relates; or
 - (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.
- 5.8 If Members are minded to approve the amended contract thresholds then it should be noted that decisions made by Officers under delegated authority will still have to appear on the Forward Plan within the prescribed deadlines and will also require the publication of a delegated officer decision notice which are then subject to the Council's call-in procedures.
- 5.9 A report was taken to the Council in December 2015. At that meeting Councillors raised some concerns around some of the thresholds. , they sought clearer definitions of what a "contract" was and what was meant by "valuation". Members also sought clarity on whether the value of the contract was to be the total value over the life of contract or if it was the annual figure.
- 5.10 Officers have therefore undertaken some further work on the Contract Rules of Procedure. The proposed changes to thresholds are largely in line with neighbouring authorities and it is therefore proposed that they be accepted. The description of contracts as set out in paragraph 11.1.3 has been extended to include Service Level Agreements and Software Licenses.
- 5.11 An additional paragraph 11.4.5 has been included setting out that 'The Total Contract Value is the whole of the estimated value (net of value added tax) which the Council expects to give under the contract calculated according to the valuation rules.' The contract values include an explanation as to whether it is the total value or a per annum figure.
- 5.12 An amendment has been included in the table at paragraph 11.11.1 stating that in respect of exemptions 'For contract value greater than £50,000, approval of the Procurement Board, following the submission of an extension report to the Procurement Board with recommendation from Head of Legal Services and S151 Officer.' A note clarifying this has also been included below the table.

6 Proposals

6.1 It is proposed that the revised thresholds as set out in paragraph 5.4 of this report be adopted.

7 Conclusion

7.1 This report recommends changes to Part 11 of the Council's constitution.

8 Appendices

Appendix A – West Berkshire Council Constitution – Part 11 Contract Rules of Procedure

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West Berkshire Council Constitution

Part 11

Contract Rules of Procedure

Document Control

Document Ref:	WB/P&C/MF/2008-11	Date Created:	May 2007
Version:	5	Date Modified:	June 2014
Revision due	Annual		
Author:	Moira Fraser – Democratic Services Manager		
Owning Service	Strategic Support		

Change History

Version	Date	Description	Change ID
1.1	Sept 2008	Amended to include up to date guidance on the use of consultants	
2	Jan 2010	Significant re-write in line with current legislation.	
3	April 2012	Changes to whole document as a consequence of the Senior Management Review	
4	December 2012	Significant re-write to bring in line with current law, practice and procedures. Also to streamline it.	
5	June 2014	11.11.3(a)	Delegated authority
6	May 2015	11.1.1 , 11.1.2 , 11.1.3 , 11.1.4 , 11.1.5 , 11.1.6 , 11.1.7 , 11.2.1 , 11.2.2 , 11.2.3 , 11.2.4 , 11.3.1 (b) and (f) , 11.4.3 , 11.4.4 , 11.5.1 , 11.5.2 , 11.6.1 , 11.6.2 , 11.6.4 , 11.7.2 , 11.7.3 , 11.8.1 , 11.8.2 (deleted), 11.9 , 11.9.2 , 11.9.3 , 11.9.5 , 11.11.1 , 11.11.2 , 11.11.3 , 11.11.4 , 11.11.5 , 11.11.6 , 11.13.1 , 11.13.2 , 11.15.5	



West Berkshire
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Version	Date	Description	Change ID
		11.16.2, 11.16.Implementation of the new Directives and Regulations	
Z	July 2015	Amendments arising from the merge of the Governance and Audit and Standards Committee	11.14.3

West Berkshire Council Constitution

Any Acts, Rules or Regulations mentioned in the text of this document can be accessed on the Office of Public Sector Information website at:

<http://www.opsi.gov.uk/legislation/uk>

Field Code Changed

If you require this information in a different format, such as audio tape or in another language, please ask an English speaker to contact Moira Fraser on 01635 519045 who will be able to help.



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11.1 Application of Contract Rules of Procedure

~~11.1.1~~ These Contract Rules of Procedure (also referred to as the Contract Standing Orders) are made in accordance with the requirements of Section 135 of the Local Government Act 1972.

~~11.1.1~~ 11.1.2 These Contract Rules of Procedure apply to purchases by or on behalf of the Council of works, supplies (~~goods~~) and services.

11.1.3 These Contract Rules of Procedure apply to all contracts including (~~but not limited to~~) purchase orders, consultancy agreements, ~~sService Level~~ aAgreements, sSoftware Licenses, concessions and contractual arrangements entered into by or on behalf of the Council, except for the specific types of contracts and purchasing methods which are expressly excluded under the Procurement Legislation.

11.1.4 The Procurement Legislation referred to in these Contract Rules of Procedure includes the following:

a. The EU Directives, as follows:

- (i) Directive 2014/24/EU on public procurement, replacing Directive 2004/18/EC, for Public Sector Contracts;
- (ii) Directive 2014/25/EU procurement by entities operating in water, energy, transport and postal services sectors, replacing Directive 2004/17/EC; and
- (iii) Directive 2014/23/EU on award of concession contracts, which does not directly replace any previous directive.

b. The Regulations, as follows:

- (i) Public Contracts Regulations 2015 (“PCR”)
- (ii) Utilities Contracts Regulations 2016 (“UCR”)
- (iii) Concessions Contracts Regulations 2016 (“CCR”)

as amended from time to time and all ~~implementing 11.1.34 (a)~~ ~~(i) and any further domestic regulations implementing the above EU Directives.~~

Public Procurement Regulations 2006.

~~11.1.2~~ These Contract Rules of Procedure (also referred to as the Contract Standing Orders) are made in accordance with the requirements of Section 135 of the Local Government Act 1972.

~~11.1.3~~ 11.1.5 These Contract Rules of Procedure do not provide guidelines on ~~what is~~ the best way to purchase works, supplies (~~goods~~) and services. They seek to set out minimum requirements to be followed. Further information ~~is and~~ guidelines provided by of guidance and updates on the Legal Services intranet pages, will be set out in the Council’s Desktop Procurement Guide which it is intended when developed and approved will accompany these Contract Rules of Procedure ~~is document. This further information is made available and and~~ updated from time to time.

~~11.1.4~~ 11.1.6 The Council has designated that the Head of Legal Services, be the Monitoring Officer. The Council has designated the Head of Finance be the

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S151 Officer. The Head of Legal Services shall be responsible for interpreting these Contract Rules of Procedure. All reference to Head of Legal Services hereafter includes any such officers nominated by the Head of Legal Services.

~~11.1.5~~11.1.7 In the event where a Governing Body of a school, under the control of the Local Education Authority, intends to enter into a contract for works, ~~supply of goods~~supplies or services the Head teacher or such persons as delegated by them must follow these Contract Rules of Procedures.

~~11.1.6~~11.1.8 In the event of a declaration of major incident the Council's Major Incident Plan and/or Business Continuity Plan may be invoked. This in turn may lead to the need to incur additional unbudgeted expenditure. When this becomes necessary the Contract Rules of Procedure will be suspended and the Chief Executive, or an officer nominated by the Chief Executive, is then authorised to incur whatever expenditure is necessary in consultation with the Head of Finance. A Corporate Director will act in the place of the Chief Executive if they are unavailable.

~~11.1.7~~11.1.9 Failure to comply with these Contract Rules of Procedure will be viewed by the Council as a breach of the Officers' Code of Conduct contained within Part 13 (Codes and Protocols) of this Constitution and may be considered a disciplinary matter.

11.2 Purpose of Contract Rules of Procedure

11.2.1 The purpose of these Contract Rules of Procedure is to provide a structure within which procurement decisions are made and implemented to ensure that the Council furthers its corporate objectives in an efficient manner leading to procurement of quality ~~supplies~~goods, services and works.

11.2.2 These Contract Rules of Procedure protect the legal position of the Council in respect of compliance with the law and in its contractual dealings with external suppliers and contractors. They protect the interests of Members, Officers and the ~~C~~citizens of West Berkshire. ~~The Head of Legal Services shall be responsible for interpreting these Contract Rules of Procedure~~

~~11.2.3~~-Every purchase, contract or official order for works, supplies or services made by the Council shall be for the purpose of implementing the Council's policies and must be made in accordance with the Council's duty of Best Value, Equality and Sustainable Commissioning.

~~11.2.4~~-When proposing to procure or making arrangements for procuring a service contract where the estimated value exceeds the EU Threshold (for Services) then consideration must be given as to how the procurement or contract might improve the economic, social and environmental wellbeing of West Berkshire, as required by the Public Services (Social Value) Act 2012

11.3 Tendering – Preliminaries

11.3.1 It is the responsibility of the Chief Executive, Corporate Directors, and Head of Services to ensure all purchases of ~~goods~~supplies and services and works comply with:

- (a) all relevant statutory requirements;

- (b) the relevant EU Rules ~~and including~~ EU Treaty Principles and Directives.
- (c) the Council Constitution including these Contract Rules of Procedure and Financial Rules of Procedure and Scheme of Delegation.
- (d) any code, guidance or conditions approved by the Governance ~~&and~~ ~~Audit#Ethics~~ Committee and/or the Executive and/or the Council to the exercises of powers delegated by them.
- (e) any conditions attached by the Executive or the Council to the exercise of powers delegated by them.
- (f) the [guidance and updates \(available from time to time\) on the Legal intranet pages proposed Council's Desktop Procurement Guide](#) (to include Consultancy Guides) and other policies and procedures of the Council as appropriate.

11.3.2 In the event of conflict between the above, the EU Rules will take precedence, followed by ~~_~~UK legislation, then (c), (d), (e), and (f) as above.

11.4 Authority

11.4.1 All transactions must fall within the powers delegated to the Chief Executive or Corporate Director or the Head of Service or must have been approved by a decision (in accordance with the Council's Constitution) of the Executive, an authorised Member of the Executive, the Council or one of its committees or sub-committees.

11.4.2 No contract, agreement or other document shall be signed or sealed unless it gives effect to:

- a decision or resolution (in accordance with the Council's Constitution) of the Executive, an authorised Member of the Executive or one of its committees or sub committees; or
- a decision by an officer exercising delegated powers.

[11.4.3 Budgetary provision must exist before any contract can be entered into. This provision should be explicit in a budget approved by resolution of the Council. Where budgetary approval exists for a specific item within the Capital Programme further Member approval is generally not required.](#)

[11.4.4 For items outside of the Capital Programme \(e.g. revenue\) if the relevant Head of Service does not have the delegated authority then an approval or a resolution \(as appropriate\) is required as outlined in the table below \(provided the expenditure can be met within budget\) before the contract can be awarded:](#)

Total Contract Value* £	Delegated decision or Resolution of:
Total Contract Value of up to £99,999.	Relevant Head of Service (or such officers as nominated by the Head of Service in writing) shall have delegated authority to award the contract.
Total Contract Value of between £100,000 and	Relevant Head of Service (following recommendation of the S151 O fficer and Head of

<u>Total Contract Value*</u> £	Delegated decision or Resolution of:
£499,999.	<p>Legal Services) shall have delegated authority to award the contract following</p> <p>a) a written report by the relevant Head of Service (or such officers as nominated by the Head of Service in writing) has been provided and approved by the Procurement Board; and</p> <p>b) the report has been included as an “item for information” item for the Corporate Board.</p>
<p>For contracts exceeding £500,000 in <u>Total Contract Value</u> and up to £2.5million per annum.</p>	<p>The award of these contracts shall require a “key decision”(as defined in Part 5.1.1 of the Constitution) delegated to be taken by relevant Head of Service in consultation with the relevant Portfolio Holder (following recommendation by the relevant Corporate Director, S151 officer and Head of Legal Services) to award the contract provided:</p> <p>a) a written report by the relevant Head of Service (or such officers as nominated by the Head of Service in writing) has been provided and approved by the Procurement Board; and</p> <p>b) the report has been included as an “Item for information” item for the Corporate Board and to the Operations Board.</p> <p>c) such decision have been made in accordance with Part 5.3 (Call-In) and 5.4 (Forward Plan) of the Constitution.</p>
<p>For contracts exceeding £2.5million per annum.</p>	<p>These contracts shall require a key decision of the Executive following recommendation by S151 officer and Head of Legal Services. Executive shall receive a report from the relevant officer either recommending for the contract to be awarded or seeking delegated authority for the relevant Head of Service to award the contract in consultation with the relevant Portfolio Holder, s151 officer and the Head of Legal Services.</p>

**Total Contract Value is the calculation of the estimated value of procurement based on the total amount payable, net of VAT, including any renewals, extensions, any form of option and variation calculated in accordance with the Procurement Legislation. Please also refer to Paragraph 11.7.*

11.4.5 All contracts over £50,000 in Total Contract Value will be reported to Procurement Board on at least a quarterly basis by the Heads of Services for review and scrutiny.

The Total Contract Value is the whole of the estimated value (net of value added tax) which the Council expects to give under the contract calculated

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~~according to the valuation rules for the whole of the predicted contract period (including proposed extensions, variations and options.)~~

11.5 Tendering - Financial Thresholds & Procedures

~~11.5.1 Officers with the conduct of undertaking the procurement are responsible for ensuring that all persons awarded contracts for the supplies, services or works to the Council meet the Council's minimum standards of suitability, capability, legal status and financial standing. Where the contract is not subject to EU Rules and is below the EU threshold for goods and services officers must not include a pre-qualification stage. However questions relating to a supplier's suitability assessment may be included provided such questions are relevant to the subject matter of the procurement and proportionate.~~

~~11.5.2~~ 11.5.2 The financial value thresholds (exclusive of Value Added Tax) at which processes become mandatory are set out in the table below:

	Total Value £	Type of contract	Procedure to be used	Advertising requirements
<u>A</u>	1,000 to <u>up to 9,999</u>	Works, supplies and services	At least one quote must be sought from an appropriate source <u>via the Procurement Portal</u> .	<u>None mandated.</u>
<u>B</u>	10,000 to <u>49,999</u> 10,000 to <u>99,999</u>	Works, supplies and services	At least three <u>written</u> invitation to quote must be sent <u>via the Procurement Portal</u> to appropriate sources <u>with at least one from SME* or VCSE* a local organisationsupplier (where appropriate and possible)</u> ¹ .	<u>None mandated, however if advertising then information about the opportunity should be placed on Contracts Finder database.</u>
<u>C</u>	100 <u>50,000 to</u> <u>EU threshold</u> ^{2*}	Works, supplies and services	Full competitive tender process applies and at least five written tenders must be sought <u>-via the Procurement Portal following advertisement by public notice.</u>	<u>An advert should be placed on the Portal together with information on the Contracts Finder database</u>

	Total Value £	Type of contract	Procedure to be used	Advertising requirements
D	Above relevant EU threshold^{2*} for supplies and services	Works, Supplies and services	EU Procedures Rules apply— full competitive tender process with at least five written tenders sought (where appropriate) via the Procurement portal. following advertisement in the Official Journal of the European Union for supplies and Part A* services. For Part B* services reduced requirements apply under the EU Rules however there is a requirement to adhere to EU principles of openness, transparency, equal treatment and fairness.	An advert should be placed on the Official Journal of the European Union together with information on the Contracts Finder database.
	Above EU threshold* for works	Works	EU Rules apply— full competitive process following advertisement in the Official Journal of the European Union	

[*SME \(means an enterprise falling within the category of micro, small and medium-sized enterprises\) or *VCSE \(means a non-governmental organisation that is value-driven and which principally reinvests its surpluses to further social, environmental or cultural objectives\).](#)

[¹The Council cannot give preference to SME/ VCSE or local contractors/suppliers, as there are legislative constraints and such a policy would be incompatible with Best Value. However, the Council recognises that there can be barriers limiting or restricting the ability of such smaller suppliers to compete for Council business. The Council will seek to reduce the impact of such barriers, where it can do so legally, without discrimination, and without placing unacceptable levels of risk on the Council.](#)

[*²There are ~~three~~ two different EU thresholds for Works: Supply and Services; Social and Other Specific Services, one for works and the other for supplies and services. ~~The~~ To obtain the latest values are published on ~~the~~ Legal intranet page as updated from time to time, please contact Legal Services.](#)

11.6 Tendering - Advertising

[11.6.1](#) There is a general presumption in favour of competition. [Subject to advertising requirement in paragraph 11.5.2 \(Tendering- Financial Thresholds and Procedures\)](#)

~~11.6.4~~ ~~11.6.2~~ ~~Where possible~~ ~~all~~ contract opportunities ~~being should be~~ advertised ~~by~~ ~~the relevant Head of Service by way of a public notice and/or should be done~~ ~~so~~ electronically on the Council's Procurement Portal ~~to ensure that such~~ ~~opportunities also appear on the Contracts Finder database.~~ For opportunities relating to works, services and supplies which fall below the EU threshold a UK Government Certified national database ~~(such as Constructionline)~~ can be used to select tenderers.

~~11.6.2~~ ~~11.6.3~~ ~~Subject to 11.6.1 (above)~~ ~~A~~ all contract opportunities which are:

- above the EU thresholds; and
- subject to the full application of EU ~~R~~procurement rules

must be advertised by notice in the Official Journal of the European Union ("OJEU notice") ~~and Contracts Finder database~~ prior to such advertisement appearing on any other advertising medium (such as trade journal etc.). ~~Contracts F~~inder means a web-based portal provided by the ~~Cabinet Office.~~

~~11.6.3~~ ~~11.6.4~~ However under the EU Treaty principles where the contract is of potential cross border interest then it must be publicised to ensure that tenderers from other member states have an opportunity to participate and the process is conducted in a fair and transparent manner.

~~11.6.4~~ ~~11.6.5~~ Where ~~a~~ contracts ~~is above the EU financial threshold~~ ~~are of a type and value that mean the EU Rules apply to them then~~ there are ~~five~~ ~~our~~ main types of EU procedures available. These are ~~O~~open procedure, ~~R~~restricted procedure, ~~C~~ompetitive procedure with negotiation, ~~e~~Competitive dialogue and ~~Innovation - partnership~~ ~~competitive negotiated procedure~~. Care must be taken to ensure that the correct and most appropriate procedure is used and advice is sought from Legal Services on the choice and use of EU procedure. OJEU notices must be approved and issued by Legal Services who will also assist in the conduct of the procurement.

11.7 Tendering - Contract Value & Aggregation

11.7.1 The contract value shall be the total cost of the supply, service or work to be procured over the contract term. The starting point for calculating the contract value for the purposes of these Contract Rules of Procedure is that the contract value shall be the genuine pre-estimate of the value of the entire contract excluding Value Added Tax. This includes all payments to be made, or potentially to be made, under the entirety of the contract and for the whole of the predicted contract period (including proposed extensions, variations and options).

11.7.2 There shall be no artificial splitting or disaggregation of a contract to avoid the application of the provisions of the ~~EU Rules~~Procurement Legislation and/or these Contract Rules of Procedure.

11.7.3 The ~~EU Rules~~Procurement Legislation can cover contracts, which are below the stated EU threshold, where they constitute repeat purchases and/or purchases of a similar type in a specified period. Officers responsible for the procurement should therefore seek advice on the application of the ~~EU Rules~~Procurement Legislation where they envisage that they may be required to make such purchases.

11.8 Tendering - Principles and Evaluation

11.8.1 All tendering procedures (including obtaining quotes), from planning to contract award and execution (seal or signature), shall be undertaken in a manner so as to ensure:

- sufficient time is given to plan and run the process;
- equal opportunity and equal treatment;
- openness and transparency;
- proportionality;
- probity;
- outcomes that deliver sustainability, efficiency and cost savings (where appropriate).

~~11.8.2 Before undertaking any procurement exercise the Officer responsible for the procurement must complete (in writing) the following:~~

- ~~• Sustainability Impact Assessment (as appropriate).~~
- ~~• Equality Impact Assessment (as appropriate).~~

11.9 Tendering - Submission and Opening of Tenders

11.9.1 An electronic Invitation to Tender shall be issued by the Council for all contracts with an estimated value of ~~over~~ £100,000, or more~~49,999~~ and tenders shall be submitted electronically via the Council's Procurement Portal~~in accordance with the requirements of the Invitation to Tender.~~

~~Any tenders received (other than those received electronically, to which 11.1.1 shall apply) shall be:~~

~~addressed to the relevant Head of Service; in an unmarked, plain and sealed envelope marked "Tender" followed by the subject matter to which it relates;~~

~~kept in a secured cabinet;~~

~~11.9.2 retained unopened until the date and time specified for its opening.~~

~~11.9.3 Where the Council has indicated in the Invitation to Tender that a tender can or must be submitted electronically using the Council Procurement Portal and the Invitation to Tender must specify the format in which an electronic tender is submitted by tenderers and such tenders shall be, then those tenders shall be:~~

~~11.9.4 in the format specified in the Invitation to Tender;~~

~~11.9.5~~ 11.9.2 stored in a secure portal account which is locked until the date and time specified for its opening.

~~11.9.6~~ 11.9.3 No tender received after the time and date specified for its opening shall be accepted or considered by the Council unless the Head of Legal is satisfied that there are exceptional circumstances and the other tenders have not been opened.

~~11.9.7 Where a tender is expected to have a value in excess of £49,999, and is not electronically submitted using the Procurement Portal, the relevant Head of~~

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~~Services shall invite the appropriate Portfolio Holder and a Procurement or Legal Officer to undertake the tender opening and shall complete a standard tender opening form as issued by Legal Services (available on the intranet).~~

~~11.9.4 The electronic opening of tenders submitted on the Procurement Portal shall be conducted. Where the tender is expected to have a value in excess of £49,999, and is electronically submitted by a Procurement or Legal Officer and using the Procurement Portal then the relevant Head of Service or their nominated representative.~~

~~11.9.5 Only in limited circumstances a tender process should be undertaken by hard copy submissions. In such cases written approval of the Head of Legal Services is required. The following circumstances shall apply:~~

~~a. The Invitation to Tender shall specify that such tenders should be returned to the relevant Head of Service; in an unmarked, plain and sealed envelope marked "Tender" followed by the subject matter to which it relates; and~~

~~b. Tenders should be kept unopened in a secured cabinet until the tender opening date; and~~

~~c. The relevant Head of Services shall invite the appropriate Portfolio Holder and an officer from Legal Services to undertake the tender opening and shall complete a standard tender opening form as issued by Legal Services (available on the intranet) in order to avoid risk of challenge.~~

~~-shall facilitate electronic tender opening in the presence of an appropriate Portfolio Holder and a Procurement or Legal Officer. Further details on how to facilitate electronic tender opening will be detailed in the Council's Desktop Procurement Guide.~~

11.10 Tendering – Evaluations of Quotes and Tenders

11.10.1 All quotes and tenders shall be evaluated in accordance with evaluation criteria notified in advance to those submitting quotes/tenders.

11.10.2 Tenders subject to the EU Rules shall be evaluated in accordance with the EU Rules. Advice from Legal Services should be sought on the selection and evaluation criteria.

11.10.3 Save in exceptional circumstances approved in advance by the relevant Head of Service all contracts shall be awarded on the basis of the quote or tender which is most economically advantageous and represents best value for money to the Council and not on the basis of lowest price.

11.11 Exclusions and Exceptions to Contract Rules of Procedure

Exclusions

~~11.11.1 The requirement to conduct a competitive procurement process is excluded in the following circumstances:~~

	<u>Type of circumstance</u>	<u>Written record and approval</u>

a)	<u>the proposed contract is excluded under the Procurement Legislation:</u>	<u>Prior written approval from the Head of Legal Services is required.</u>
b)	<u>the proposed contract is being awarded under a Purchasing Scheme (refer to 11.12) of a type where a competition has already been undertaken on behalf of the Council or other public sector organisation; or</u>	<u>Prior written approval from the Head of Legal Services is required.</u>
c)	<u>the proposed contract is an extension to or a variation of the scope of an existing contract where the existing contract provides for such extension or a variation or where the variation is a modification permitted under the Procurement Legislation.</u>	<u>For contract value below £50,000 prior written approval from the Head of Legal Services and S151 Officer is required.</u> <u>For contract value greater than £50,000, approval of the Procurement Board, following the submission of an extension report to Procurement Board -provided an extension report has been submitted to the Procurement Board with recommendation from Head of Legal Services and S151 Officer</u>
d)	<u>the contract is for the following social care services:</u> <u>i. residential placements sought for an individual with a registered care provider of their choice;</u> <u>ii. supported living services sought for an individual with an appropriate care and support provider of their choice under the National Health Service</u>	<u>Head of Service must ensure that a record of the reasons for the choice of provider is maintained on the individual's case notes. A record of the annual cumulative</u>

	<p><u>and Community Care Act 1990:</u></p> <p>iii. <u>individual school placements sought for a child with Special Educational Needs (SEN);</u></p> <p>iv. <u>social care packages managed by or on behalf of individual clients under the personalisation agenda;</u></p> <p>v. <u>where certain needs of an individual (either an adult or a child) require a particular social care package, which is only available from a specific provider.</u></p> <p>vi. <u>residential placements sought for an individual under the Shared Lives scheme (or any equivalent scheme).</u></p>	<p><u>expenditure with each provider should be maintained by each directorate and made available for audit.</u></p>
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In the interests of clarity where an exemption is applied all contracts with an annual or total value of more than £50,000 must be approved by Procurement Board. Please refer to 11.11.4.

Exceptions

11.10.411.11.2 Subject to ~~11.11.311.11.311.11.2~~ the requirement for the Council to conduct a competitive purchasing process for contracts in excess of £9,999, may be exempted or waived in the following circumstance:

- for contracts which are not subject to the EU Rules, the work, supply or service is required as a matter of urgency and a delay would be likely to lead to financial loss, personal injury or damage to property; or
- ~~the circumstances set out in the Public Contract Regulations 2006 Regulation 14 apply (whether or not the contract is of a type which is subject to the application of the EU Rules); or~~
- ~~the contract is awarded under a Purchasing Scheme (refer to 11.12) of a type where a competition has already been undertaken on behalf of the Council or other public sector organisation; or~~
- ~~the proposed contract is an extension to or a variation of the scope of an existing contract where the contract is not subject to the application of the EU Rules.~~
- at the discretion of the relevant Corporate Director and/or the Chief Executive, acting lawfully, who may proceed in a manner most expedient for the efficient management of the ~~service~~ Council with reasons recorded in writing.

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~~11.10.5~~11.11.3 Only the Head of Legal Services and/or the Head of Finance (as S151 Officer) ~~or such officer as nominated by them~~ may grant a waiver or an exception to these Contract Rules of Procedure, subject to Exception Values and delegations below, ~~to these Contract Rules of Procedure~~. An Officer, who seeks a waiver of Contract Rules of Procedure, shall do so only in advance and only in exceptional circumstances.

~~11.10.6~~11.11.4 Exception values and delegations

(a) For all contracts up to £49,999 the Section 151 Officer or nominated Officer must approve the exception.

~~(g)~~(b) For contracts ~~above between £50,000, and up to the £200,000, EU threshold~~ the Section 151 Officer or nominated Officer will consult with the Head of Legal Services and the appropriate Corporate Director provided an exception report has been approved by ~~the~~ Procurement Board.

~~(h)~~(c) For contracts between ~~EU threshold~~£200,000 and £500,000 the exception will be dealt with by way of recommendation to ~~the~~ Corporate Board after consultation with the Section 151 Officer and with the Head of Legal Services or such officer as nominated by them provided an exception report has been approved by the Procurement Board.

~~(i)~~(d) For contracts over £500,000 the Section 151 Officer and the Head of Legal Services or such officer as nominated by them will make a recommendation to the Executive provided an exception report has been prepared and approved by ~~the~~ Procurement Board and the Corporate Board.

~~11.10.7~~11.11.5 All exceptions or waivers ~~from to~~ these Contract Rules of Procedure must be:

- Fully documented;
- Subject to a written exception report to be submitted in advance to ~~the~~ Procurement Board (for 11.11.3 b, c, d) by the relevant Head of Service or Corporate Director which shall include reasons for the exception or waiver which demonstrate that the exception or waiver is genuinely required.
- Subject to an approval by the Section 151 Officer (~~or nominated officer~~) who shall record ~~that he/she has~~ they have considered the reasons for the waiver and that they are satisfied that the circumstances justifying the waiver are genuinely exceptional. Applications for waivers which are a result of poor contract planning will rarely be considered genuinely exceptional.
- Relevant approval has been sought under 11.11.3.

~~11.10.8~~11.11.6 For contracts subject to the EU Rules, any waiver or an exception from the requirement for competition must meet the conditions set out in the EU Rules in addition to the general requirements above.

~~11.11~~11.12 Purchasing Schemes

~~11.11.1~~11.12.1 An officer responsible for the procurement exercise may use Purchasing Schemes subject to the following conditions: -

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~~11.11.2~~11.12.2 An officer responsible for the procurement must seek advice in advance that:

- the Council is legally entitled to use the Purchasing Scheme;
- the purchases to be made do properly fall within the coverage of the Purchasing Scheme;
- the establishment and operation of each Purchasing Scheme is in compliance with the EU Rules (where they apply) and meets the Council's own requirements.

~~11.11.3~~11.12.3 A "Purchasing Scheme" may include:

- Contractor prequalification lists/select lists;
- Framework arrangements (including those set up by the Government Procurement Service);
- Purchasing arrangements set up by central purchasing bodies and commercial organizations;
- Consortium purchasing;
- Collaborative working arrangements;
- Formal agency arrangements;
- E-procurement / purchasing schemes and methods;
- Other similar arrangements.

11.12.4 Where a Purchasing Scheme is used then there shall be a whole or partial exemption from the obligations under these Contract Rules of Procedures in respect of the choice and conduct of procedures. Advice should be sought from Legal Services prior to entering to such arrangements.

11.13 Reporting Requirements

11.13.1 A written report should be drawn by the relevant Head of Service for each contract that is awarded which is **above EU threshold and subject to the Procurement Legislation**. The Procurement Legislation places an obligation on the Council to document, for each procurement, key decision and steps taken and stages leading to the award of contracts. This report may be requested by the European Commission and/or the Cabinet Office and should be kept for a period of 3 years. A guidance note and template for such report will be made available by way of guidance and updates on the Legal Services intranet pages which accompany these Contract Rules of Procedure.

~~11.11.4~~11.13.2 In addition to the above, the relevant Head of Service should document the progress of all procurement procedures including ensuring sufficient information is kept to justify decisions such as communications with contractors and internal deliberations, preparation of procurement documents, any dialogue and negotiation, selection and award. Documentation must be kept for three years from the award of the contract.

11.14 Prevention of Corruption

~~11.11.5~~11.14.1 The public is entitled to demand of Local Government Officers conduct of the highest standard. Public confidence in their integrity would be undermined were the least suspicion, however ill-founded, to arise that they could in any way be influenced by improper motives.

~~11.11.6~~11.14.2 Where a Member or Officer of the Council has an interest in a contract or a proposed contract whether it is a disclosable pecuniary interest or otherwise and is also involved in the process of letting or managing of that contract, this interest must be registered with the Monitoring Officer who shall decide on whether that Member or Officer should be involved or not.

11.14.3 In the case of ownership of shares Members should seek advice from the Head of Legal Services as to the current level of share ownership accepted by the [Standards Governance and Ethics](#) Committee or any such successor authority as being de minimus for the purposes of declarations of interest.

~~11.12~~11.15 Entering into a Contract

~~11.12.1~~11.15.1 There should be written evidence of all purchases, including electronic evidence.

~~11.12.2~~11.15.2 All contracts entered into by the Council must be in writing in a form approved by the Head of Legal Services or ~~his~~~~their~~ delegated officer. Where a standard form of contract is used, or a standard form is to be amended, the form of contract shall be prepared/amended by the Head of Legal Services or his delegated officer. The Head of Legal Services shall retain all relevant contract documents.

~~11.12.3~~11.15.3 The relevant Head of Service must formally notify the Head of Legal Services (or nominated officer) of the award of all contracts with the relevant data for the purpose of it being recorded on the Council Contract Register.

~~11.12.4~~11.15.4 Every contract shall include wherever possible the standard clauses set out in Standard Form of Agreement issued and updated from time to time by the Head of Legal Services or ~~his~~~~their~~ nominated officer and available from Legal Services.

~~11.12.5~~11.15.5 As a minimum, ~~where appropriate~~, all contracts ~~of a value of £9,999 or more~~ shall include clauses which set out:

- the works, supplies (goods), services, material, matters or things to be carried out or supplied;
- the time within which the contract is to be performed. Quality requirements and/or standards which must be met;
- requirements on the contractor to hold and maintain appropriate insurance;
- what happens in the event that the contractor fails to comply with its contractual obligations (in whole or in part);
- requirements on the contractor to comply with all relevant equalities and health and safety legislation;
- that the Council shall be entitled to cancel the contract and recover

losses in the event that the contractor does anything improper to influence the Council to give the contractor any contract or commits an offence under the Bribery Act 2010.

- payment obligations which require that:
 - a. any payment due from the Council is made no later than 30 days from the date on which the relevant invoice is regarded as valid and undisputed; and
 - b. any subcontract imposes obligations similar to those required above (a) and an obligation that the subcontractor is required to impose such obligations in any further subcontract.

- All contracts shall include relevant specifications and/or briefs/technical requirements which are prepared taking into account the need for effectiveness of delivery, quality, sustainability and efficiency (as appropriate). and the information set out in the Council's Desktop Procurement Guide

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11.16 Legal Consideration

~~11.13.1~~ 11.16.1 *Indemnities*; No relaxation of full indemnities releasing the Council from all liability whether provided by public liability insurance or other instrument should be allowed unless authorised in writing by the Head of Legal Services and the Head of Finance or nominated Officer.

~~11.13.2~~ 11.16.2 *Risk Assessment & Performance Bond*; Where a contract is estimated to exceed £~~49,999~~5400,000, in value or amount and is for the execution of works (or for the ~~supplies of goods or materials~~ or services by a particular date or series of dates) the relevant Head of Service should consider requiring a performance bond (for an amount equal to 10% of the value of the contract) from the contractor. The bond must be in a form approved by Legal Services and must be included in the Invitation to Tender. This is to provide sufficient security for the due performance of the contract. If a performance bond is considered not necessary then the relevant Head of Service must:

- a. undertake a risk assessment in writing; and
- b. seek approval from the Head of Finance; and
- c. keep a copy the risk assessment on the contract file for inspection.

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~~11.13.3~~ 11.16.3 *Insurances*; Every contract should be assessed for risk. If the risk assessment identifies the need for insurance the Head of Service must:

- in consultation with the Head of Finance or nominated Officer set adequate levels of insurance cover. This includes employer's liability, public liability and any other as determined by the needs of the particular contract;
- in consultation with the Head of Finance or nominated Officer ensure that the required insurances are in fact held by the contractor and

that the policies concerned are renewed, if necessary, during the period required;

- in consultation with the Head of Finance or nominated Officer who must ensure the contractor's status under the Inland Revenue Construction Industry Tax Deduction Scheme (for construction contracts);
- in consultation with the Head of Finance set an appropriate level of consultants' professional indemnity insurance for each specific contract that require professional and/or design services (for Consultancy agreements), minimum £5,000,000 cover unless the Risk Manager feels that a greater amount is required if so determined by the risk assessment process. This should not be a standard level but be assessed on a case by case basis.

11.13.411.16.4 *Sealing*: All contracts above the value of £49,999 shall be sealed. The affixing of the seal shall be attested and witnessed in writing by the Head of Legal Services, or an Officer duly designated by them in accordance with the delegated powers conferred by the Council. An entry of every sealing of a document shall be made and consecutively numbered in a book to be provided for the purpose and shall be signed by the person attesting the sealing.

The Common Seal shall be in the Custody of the Head of Legal Services and kept in a safe place at their discretion. The Common Seal of the Council may be affixed to any document that has been approved by a resolution of the Council; or of the appropriate Committee or an Officer to which the Council or the Executive has delegated its powers on its behalf, provided that a resolution of the Council or of the appropriate Committee or Officer where that appropriate Committee or Officer has the appropriate authority authorising the acceptance of any tender, the purchase, sale, letting or taking of any property, the issue of stock, the presentation of any petition, memorial or address, the making of any rate, contract or order, or any other matter or thing, shall be a sufficient authority for sealing any document necessary to give effect to the resolution.

The Common Seal of the Council may be affixed to any:

- petition to be presented to Parliament against the promotion of any Bill or confirmation of any Provisional Order which the Council opposes;
- mortgage in respect of a loan arranged by the Head of Finance or nominated Officer under the powers of Heads of Service approved by the Council;
- incomplete form of transfer for the duly authorised sale of securities by the Council as necessary for the purposes of dealing with stocks and shares in accordance with the Stock Transfer Act 1963.

11.13.511.16.5 *Signature of Documents*: Where any document will be a necessary step in legal proceedings on behalf of the Council it shall, unless any enactment otherwise requires or authorises or the Council shall have given the necessary authority to some other person for the purpose of such proceedings, be signed by the Head of Legal Services.

~~41.13.6~~11.16.6 Where it becomes necessary to execute any document on behalf of the Council not required by law to be under Seal, the Head of Legal Services or an Officer designated by them in accordance with the delegated powers conferred by the Council shall be deemed to have authority to sign such a document accordingly. A register of such documents shall be kept by the Head of Legal Services or Officer duly designated by them.

~~41.13.7~~11.16.7 Counsel: Within budget, the Head of Legal Services (or nominated offer) shall have discretion to select Counsel, obtain Counsel whenever it is considered expedient in the Council's interest to do so.

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Response to the Motion that the Council Investigates Webcasting - Summary Report

Committee considering report:	Council on 19 September 2016 Governance and Ethics Committee on 5 September 2016
Portfolio Member:	Councillor James Fredrickson
Date Portfolio Member agreed report:	
Report Author:	Jo Reeves
Forward Plan Ref:	C3065

1. Purpose of the Report

- 1.1 To present the response of the Webcasting Task and Finish Group to Councillor Alan Macro's motion that 'The Council investigates the cost and practicality of webcasting all Council, Executive and Committee meetings' which was put to the Council on 2 July 2015.

2. Recommendations

- 2.1 The Council is asked to note that the Webcasting Task and Finish Group (WTFG) recommends:
- (1) The Council should webcast meetings of particular public interest.
 - (2) A project board of officers from Property, IT and Strategic Support should make arrangements to complete the repairs and acquire the equipment it needs to webcast meetings in the Council Chamber and at other locations.
 - (3) The Governance and Ethics Committee should develop a Webcasting Policy, to include a procedure for identifying meetings to be webcast and guidance for Members.

3. Implications

- 3.1 **Financial:**
- Capital: If Members chose to follow the WTFG's recommendations there would be a capital cost of around £70k to buy microphones and upgrade the Council Chamber.
- Revenue: If Members chose to follow the WTFG's recommendations there would be minimal revenue implications for the Council but there would be an impact on staffing with Strategic Support who will be responsible for managing the webcasting. This would need to be kept under review to ensure that any webcasting was done as professionally and efficiently as possible.

- 3.2 **Policy:** The WTFG recommends a Webcasting Policy is developed to include a procedure for identifying meetings to be webcast and guidance for Members.
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** Access to webcasted material might change in the event that Youtube's Terms and Conditions change, including monetisation (advertising or access to content) and ownership of content. To mitigate that risk, it is proposed to download all the streamed videos, or record them locally at the time.
- 3.6 **Property:** The WTFG recommends that the Council Chamber needs upgrades to support its normal multi-purpose use and webcasting.
- 3.7 **Other:** None

4. Other options considered

- 4.1 To enter into a contract with a company which offers a range of digital services to public sector organisations, to provide software licences, hosting, streaming and support. This option was dismissed by the WTFG as it would cost approximately £15-£18k per annum.
- 4.2 To do nothing. This option was dismissed because trials of webcasting produced 'in-house' had been met with positive feedback from Members, Officers and the public.

5. Introduction

5.1 To present the response of the Webcasting Task and Finish Group (WTFG) to the motion that the Council considers the cost and practicality of webcasting, this report will:

- (1) Explain what a webcast is and why the Council might choose to do it
- (2) Describe the options the WTFG considered
- (3) Discuss the cost implications of their chosen option
- (4) Discuss the practical implications of their chosen option
- (5) Present the WTFG's recommendations

6. Background

6.1 At the meeting of Council on 2nd July 2015, Councillor Alan Macro proposed a Notice of Motion that the Council "investigates the cost and practicality of webcasting all Council, Executive and Committee meetings". The Council agreed to create a Webcasting Task and Finish Group to respond to the Motion.

6.2 The WTFG met three times and included:

- (1) Conservative Members: Councillors Pamela Bale, Jeanette Clifford, James Fredrickson. Councillors Rick Jones and Quentin Webb joined the Group for its last meeting.
- (2) Liberal Democrat Member: Councillor Lee Dillon

6.3 A webcast is a sound or video broadcast over the Internet. Some Councils choose to webcast to promote the work they do and to be transparent about how they do it. Lots of councils are already webcasting by either contracting a provider to webcast for them or doing it themselves.

6.4 Prior to the Motion submitted by Councillor Macro, Officers had already started to look at the possibility of webcasting meetings as the sound/projection facilities in the Council Chamber were becoming out of date and unreliable.

7. Options for Consideration

7.1 The WTFG considered the following options:

- (1) Do nothing
- (2) Webcast with a provider
- (3) Do our own webcasting

7.2 The WTFG dismissed the option to do nothing because when the Council webcast the Special Council meeting in November 2015 (which agreed the Development Plan Document) it had been well received by Councillors and members of the public.

- 7.3 The WTFG dismissed the option to webcast with a provider. Officers contacted three companies to find out what a contract would cost and the WTFG decided that the revenue costs would be too high given the Council's financial position.
- 7.4 The WTFG concluded that the Council should do its own webcasting by buying equipment and asking officers to webcast meetings.

8. Cost

- 8.1 If the Council chose to webcast it would need to spend some money on getting the right equipment. Officers have already bought cameras, a laptop and software for about £1k. The Council will also need to buy some microphones so that viewers can hear the webcasts.
- 8.2 Microphones were hired for the trial meeting at a cost of £1600 per meeting. Quotes obtained by officers suggest that the expected cost of purchasing a microphone system would be around £35k. The WTFG suggest that the Council buys microphones instead of hiring them, because they will help to amplify the sound at all meetings, not just the meetings that are webcast.
- 8.3 To make sure the microphones would work properly officers have asked engineers to evaluate the existing equipment in the Council Chamber. They found that the induction loop was not working properly, the projector screens were not descending and the speakers were not working well. To fix these issues, the Council would need to spend about £45k.
- 8.4 There would also be a cost in terms of officer time to set up the equipment and monitor the webcasting for each meeting.

9. Practicality

- 9.1 If the Council chose to webcast it would need to decide what meetings were important or interesting enough to be webcast.
- 9.2 Officers presented the WTFG with data on current level of public interest in Council and Committee meetings. The WTFG concluded that there was not a sufficient level of interest in all Council, Executive and committee meetings to justify webcasting all of them. If any meetings were to be webcast it would only be justifiable to webcast meetings of particular public interest.
- 9.3 The WTFG suggested that there should be a procedure to help decide what meetings were important enough to webcast. They thought that a councillor or officer should be required to gain support to webcast the meeting from the Leader of the Council, the Leader of the Opposition, the Committee Chairman and the Head of Strategic Support. The procedure would also set out how any disagreement between the relevant parties would be solved.
- 9.4 The WTFG also discussed that there should be guidance for Councillors on webcasting so that meetings could be conducted in a way which preserved the integrity and reputation of the Council and Councillors.
- 9.5 The WTFG considered that there should be a way to webcast meetings held at different venues and suggested that a mobile audio-visual solution should be bought.

10. Conclusion and Recommendations

- 10.1 In conclusion the WTFG have considered the cost and practicality of webcasting and propose that webcasting is something that the Council should do.
- 10.2 The WTFG recommend:
- (1) The Council should webcast meetings of particular public interest.
 - (2) A project board of officers from Property, IT and Strategic Support should make arrangements to complete the repairs and acquire the equipment it needs to webcast meetings in the Council Chamber and at other locations.
 - (3) The Governance and Ethics Committee should develop a Webcasting Policy, to include a procedure for identifying meetings to be webcast and guidance for Members.

11. Consultation and Engagement

- 11.1 Members of the WTFG Group consulted the Conservative Group and Liberal Democrat Group.
- 11.2 Officers have consulted with ICT Programme Board.

12. Appendices

- 12.1 Appendix A – Membership and Terms of Reference for the Webcasting Task and Finish Group

Background Papers: Minutes from the meeting of the Council on 2 July 2015, Additional documentation considered by the WTFG is available on request.

Wards affected: All

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim and priority:

MEC – Become an even more effective Council

The proposals contained in this report will help to achieve the above Council Strategy aims and priorities by improving transparency and engagement with decision making processes.

Officer details:

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Tel No: (01635) 519486
E-mail Address: Joanna.Reeves@westberks.gov.uk

Appendix A

Webcasting Task and Finish Group

Statement of Purpose and Terms of Reference

Objective(s):

The purpose of the Webcasting Task and Finish Group is to make a recommendation to the Governance and Ethics Committee regarding whether the Council should webcast its meetings and if so to consider which meetings should be webcast, what the implications on resources and staff might be and establish a timescale for implementation of webcasting, if approved.

Membership:

Councillor Pamela Bale
Councillor Jeanette Clifford
Councillor James Fredrickson
Councillor Lee Dillon

Officers:

Phil Rumens, Digital Services Manager
Jo Reeves, Policy Officer (Executive Support)
Moirra Fraser, Democratic and Electoral Services Manager

Terms of Reference:

The Webcasting Task and Finish Group will:

- Gain an understanding of how local authorities use webcasting and other broadcast techniques
- Assess what resources are available within the Council to accommodate webcasting etc.
- Consider which meetings should be broadcast (ie. whether all public meetings should be broadcast, all meetings of particular committees etc)
- Present a report to the Governance and Ethics Committee making clear recommendations