

Notice of Meeting



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Governance and Ethics Committee

Monday 21 August 2017 at 5.00pm
in Roger Croft Room Council Offices
Market Street Newbury

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Date of despatch of Agenda: Friday 11 August 2017

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, 21 August 2017
(continued)

To: Councillors Steve Ardagh-Walter, Jeff Beck (Vice-Chairman), Graham Bridgman, Paul Bryant, James Cole (Chairman), Barry Dickens, Lee Dillon, Jane Langford, Geoff Mayes, Anthony Pick and Quentin Webb

Substitutes: Councillors Jason Collis, Billy Drummond and Sheila Ellison

Agenda

Part I		Page No.
1	Apologies To receive apologies for inability to attend the meeting (if any).	
2	Minutes To approve as a correct record the Minutes of the meeting of this Committee held on 19 June 2017.	1 - 4
3	Declarations of Interest To remind Members of the need to record the existence and nature of any personal, disclosable pecuniary or other registrable interests in items on the agenda, in accordance with the Members' Code of Conduct .	
4	Forward Plan <i>Purpose: To consider the Forward Plan for the next 12 months.</i>	5 - 8
Standards Matters		
5	Update on Ethical Matters - Quarter 1 of 2017/18 <i>Purpose: 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.</i>	9 - 16
Governance Matters		
6	Internal Audit Annual Report 2016/17 (GE3254) <i>Purpose: To provide an opinion on the effectiveness of the Council's internal control framework.</i>	17 - 26



Agenda - Governance and Ethics Committee to be held on Monday, 21 August 2017
(continued)

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|----|--|-----------|
| 7 | Annual Governance Statement - Statement in Support by the Section 151 Officer (GE3253)
<i>Purpose: 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.</i> | 27 - 30 |
| 8 | Annual Governance Statement - Statement in Support by the Monitoring Officer (GE3252)
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| 9 | Annual Governance Statement (GE3269)
<i>Purpose: To allow the committee to review the Annual Governance Statement before it is signed by the Leader and Chief Executive.</i> | 41 - 54 |
| 10 | West Berkshire Council Financial Statements 2016/17 Including External Auditor's Opinion. (GE3251)
<i>Purpose: To provide Members with the final copy of the Council's Financial Statements.</i> | 55 - 192 |
| 11 | New Arrangements for Appeals Panels (C3361)
<i>Purpose: To increase the number of Members on Appeals Panels from three to four with no substitutes.</i> | 193 - 196 |

Andy Day
Head of Strategic Support

West Berkshire Council is committed to equality of opportunity. We will treat everyone with respect, regardless of race, disability, gender, age, religion or sexual orientation.

If you require this information in a different format or translation, please contact Moira Fraser on telephone (01635) 519045.



West Berkshire
C O U N C I L

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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, 19 JUNE 2017

Councillors Present: Steve Ardagh-Walter, Graham Bridgman, Paul Bryant, James Cole (Chairman), Barry Dickens, Jane Langford, Geoff Mayes, Anthony Pick and Quentin Webb

Also Present: Andy Walker (Head of Finance), Moira Fraser (Democratic and Electoral Services Manager)

Apologies for inability to attend the meeting: Councillor Jeff Beck

Councillor Absent: Councillor Lee Dillon

PART I

3 Minutes

The Chairman welcomed the new Parish Council representatives Jane Langford and Geoff Mayes to the meeting. Jane was a substitute on the Committee and Geoff had replaced Chris Bridges on the Committee. He also noted that Councillor Jason Collis would be replacing Councillor Garth Simpson as a substitute on the Committee.

The Minutes of the meeting held on 24 April 2017, the extraordinary meeting on the 24 April 2017 and the meeting held on the 09 May 2017 were approved as true and correct records and signed by the Chairman.

24 April 2017 Meeting

Item 34, Forward Plan, final paragraph:

C3260 Amendments to the Constitution – Scheme of Delegation. It was noted that this was not a duplication of C3093 Amendments to the Constitution – Scheme of Delegation (2017) as it related to the changes that would have to be made to the Scheme in 2018. It would therefore be retained on the forward plan.

Item 35 Monitoring Officer's Quarterly Report 2016/17 – Year End, Resolution:

Register of Interest Form was being revised, and would go to a future Finance and Governance Group meeting. It would be amended in advance of the 2019 election.

Item 36, Internal audit Plan 2017/18, Final paragraph and Resolution:

Audits of Shared Services - Andy Walker had raised this issue at the Berkshire Treasurers meeting on 5th May 2017 and they all confirmed that if they were lead authority for a shared service they would assess audit risks as part of their overall respective audit arrangements and would report any relevant significant risks identified to all parties.

Members were concerned about any potential liability that West Berkshire might incur in respect of the joint arrangements and sought reassurance that any liability arising from the joint arrangements were being addressed by their internal audit plans. It was therefore agreed that Andy Walker would provide the Committee with a list of joint arrangements and compare that with the internal audit plans of the relevant authority.

GOVERNANCE AND ETHICS COMMITTEE - 19 JUNE 2017 - MINUTES

24 April 2017 Extraordinary Meeting

The Chairman queried whether the Committee felt that the concerns that they had raised in respect of the New Model for Scrutiny had been adequately addressed at Full Council. Councillor Graham Bridgman commented that while the original report had not included the concerns raised by the Committee in respect of backbenchers participating in Scrutiny this had been resolved at the Council meeting. Members agreed that it would take time for the new processes to embed and success could only be measured once the new processes had time to operate for a while.

RESOLVED that Andy Walker would provide the Committee with a list of joint arrangements and compare that with the internal audit plans of the relevant authority.

4 Declarations of Interest

There were no declarations of interest received.

5 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4).

Andy Walker noted that as of the next financial year the Council would need to agree the Financial Statements 2017/18 (GE3327) by the end of July and therefore the August 2018 meeting would need to be brought forward.

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

6 New Arrangements for Licensing Sub-Committees (C3308)

The Committee considered a report (Agenda Item 5) concerning a proposal to increase the number of Members on Licensing Sub-Committees from three to four with no substitute required.

Councillor Graham Bridgman noted that those Members of the Licensing Committee who were in attendance at the informal meeting in March 2017 agreed, in principle, with the proposal to increase the number of Members sitting on a Licensing Sub-Committee from three to four (with no substitute required). This proposal would ensure that all Members of the Committee had the opportunity to sit and gain experience on Licensing Sub-Committees. It would also reduce the frustration of Members acting as substitutes who had to sit through a whole meeting but then not take part in the decision making process.

Councillor Bridgman also proposed that a similar approach be taken to the Appeals Panel as it was largely operated on a similar basis to the Licensing Committee. The only significant difference being that the Chairman of each of the Appeals Panel was actually elected at the meeting and that the Appeals Panel did not meet as a standing committee. It was agreed that Councillor Bridgman would canvass the Members of the Appeals Panel to ascertain if they supported the proposal or not.

Councillor Steve Ardagh-Walter noted that the number of Members was likely to decrease following the Boundary Review and he queried whether this proposal would therefore increase the workload of Members of the Licensing Committee. Councillor Bridgman explained that as the substitute Member was already required to attend the meeting it would not have any impact at all. If the substitutive was not actually required to attend the hearing, in the event that the Sub-Committee was not then quorate for whatever reason, the appeal would have to be postponed which would result in additional unwanted delays for the applicants. It would not be feasible to have the substitute on standby as it was possible that it might only become evident at the hearing that one of

GOVERNANCE AND ETHICS COMMITTEE - 19 JUNE 2017 - MINUTES

the Members had an interest which required them to absent themselves from the meeting. The proposal was that the number of Members to make a meeting quorate would still be three.

Members agreed to recommend the proposal in respect of the Licensing Committee to full Council for approval. It was also agreed that a further report would be brought to the Committee in respect of the Appeals Panel.

RESOLVED that:

- 1) the Governance and Ethics Committee would recommend to Full Council that:**
 1. the Panel for future Licensing Sub-Committee meetings will comprise of four Members with no substitute required.
 2. the necessary changes to be made to the Council's Constitution.

- 2) A report recommending that the number of Members on an Appeals Panel be increased from three to four with no substitutes be brought to a future Governance and Ethics Committee.**

(The meeting commenced at 4.00 pm and closed at 4.30 pm)

CHAIRMAN

Date of Signature

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Governance and Ethics Committee Forward Plan November 2017 –November 2018

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
27 November 2017						
1.	GE3256	Update on Ethical Matters - Quarter 2 of 2017/18	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.	Sarah Clarke	Chairman of Governance and Ethics (Cllr James Cole)	Ethics
2.	GE3257	Financial Statements 2016/17 - Annual Audit Letter	To provide Members with the Final Annual Audit Letter 2015/16 from KPMG, this audit letter summarises the outcome from their audit work at West Berkshire Council in relation to the 2015/16 audit year.	Lesley Flannigan	Finance, Transformation and Economic Development (Cllr Anthony Chadley)	Audit
3.	GE3270	Outcome of the External Review of Internal Audit	To provide Members with the results of the external review of internal audit and seek comments on any proposed actions.	Ian Priestley	Corporate Services (Cllr Keith Chopping)	Audit
5 February 2018						
4.	C3260	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.	Sarah Clarke	Corporate Services (Cllr Keith Chopping)	Governance
5.	GE3258	Internal Audit – Interim Report 2017-18	To update the Committee on the outcome of internal audit work.	Ian Priestley	Corporate Services (Cllr Keith Chopping)	Audit

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
6.	GE3259	Update on Ethical Matters- Quarter 3 of 2017/18	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.	Sarah Clarke	Chairman of Governance and Ethics (Cllr James Cole)	Ethics
7.	GE3326	Review of the Revised Scrutiny Arrangements'	To consider the effectiveness of the revised scrutiny arrangements.	Andy Day	Chairman of Governance and Ethics (Cllr James Cole)	Governance
23 April 2018						
8.	C3323	Monitoring Officer's Quarterly Update Report to the Governance and Ethics Committee –2017/18 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.	Sarah Clarke	Chairman of Governance and Ethics (Cllr James Cole)	Ethics
9.	GE3324	Internal Audit Plan 2018/19	To outline the proposed internal audit work programme for the next three years	Ian Priestley	Corporate Services (Cllr Keith Chopping)	Audit
10.	GE3325	External Audit Plan 2018-19	To provide Members with a copy of the External Audit Plan for 2018-19.	Ian Priestley	Corporate Services (Cllr Keith Chopping)	Audit
June 2018						
11.		TBC – any items requiring G&E approval at the July Council meeting will need to come to this meeting				

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
July 2018						
12.	GE3327	West Berkshire Council Financial Statements 2017/18 including external auditor's Opinion.	To provide Members with the final copy of the Council's Financial Statements	Andy Walker	Finance, Transformation and Economic Development (Cllr Anthony Chadley)	Audit
13.	GE3328	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.	Sarah Clarke	Corporate Services (Cllr Keith Chopping)	Governance
14.	GE3329	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 Section 151 Officer.	Andy Walker	Corporate Services (Cllr Keith Chopping)	Governance
15.	GE3330	Internal Audit Annual Report 2017/18	To provide an opinion on the effectiveness of the Council's internal control framework	Ian Priestley	Corporate Services (Cllr Keith Chopping)	Audit
16.	GE3331	Annual Governance Statement	To allow the committee to review the Annual Governance Statement before it is signed by the Leader and Chief Executive	Ian Priestley	Corporate Services (Cllr Keith Chopping)	Governance
17.	GE3332	Update on Ethical Matters - Quarter 1 of 2018/19	To provide an update on local and national issues relating to ethical	Sarah Clarke	Chairman of Governance and Ethics	Ethics

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
			standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.		(Cllr James Cole)	
November 2018						
18.	GE3359	Update on Ethical Matters - Quarter 2 of 2018/18	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.	Sarah Clarke	Chairman of Governance and Ethics (Cllr James Cole)	Ethics
19.	GE3360	Financial Statements 2017/18 - Annual Audit Letter	To provide Members with the Final Annual Audit Letter 2017/18 from external auditor. The audit letter summarises the outcome from their audit work at West Berkshire Council in relation to the 2017/18 audit year.	Lesley Flannigan	Finance, Transformation and Economic Development (Cllr Anthony Chadley)	Audit

Update on Ethical Matters – Quarter 1 of 2017/18 - Summary Report

Committee considering report: Governance and Ethics Committee on 21 August 2017

Portfolio Member: Cllr Keith Chopping

Date Portfolio Member agreed report: 03 August 2017

Report Author: Sarah Clarke

Forward Plan Ref: GE3255

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 May 2012 and reviewed in December 2013 and September 2016.

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 Local Government Act 2000 in so far as appropriate and the Localism Act 2011 and its supporting regulations.

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:** There are no property issues associated with this report.

3.7 **Other:** A diminution in standards of behaviour by elected Members could have a significant reputational impact on the Council

4. Other options considered

4.1 None

Executive Summary

5. Introduction / Background

- 5.1 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.

6. Proposal

- 6.1 Members are asked to note the content of the report.

7. Key Issues Identified in the report:

- 7.1 During Quarter 1 of 2017/18 one formal complaint (NPC3/17) was received by the Monitoring Officer. No further action was taken on the complaint.
- 7.2 There is one outstanding complaint (NPC1/17) that is still being investigated
- 7.3 No dispensations were granted during Quarter 1 of 2017/18.
- 7.4 No gifts and hospitality have been declared by District Councillors during Quarter 1 of 2017/18. Officers will need to send Members a reminder of the need to make these declarations
- 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 received in respect of alleged breaches of the Members Code of Conduct remains low, which indicates that standards of ethical conduct remain generally high across West Berkshire at both District and at Parish / Town Council levels.

9. Appendices

- 9.1 Appendix A – Supporting Information

Update on Ethical Matters – Quarter 1 of 2017/18 - Supporting Information

1. Introduction/Background

- 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. Governance Arrangements

- 2.1 The Governance and Ethics Committee comprises ten members (eight District Councillors appointed on a proportional basis and two co-opted non-voting Parish/Town Councillors). The Advisory Panel comprises 8 Members: 2 from the administration, 2 from the main opposition party, 2 parish/town councillors and 2 independent persons
- 2.2 The Monitoring Officer is authorised to appoint three Independent Persons who are used on a rotational basis on the Initial Assessment Panel and Advisory Panels.
- 2.3 A revised Code of Conduct was adopted in September 2016. The Code and Governance arrangements are supported by a number of documents 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.

3. Membership

Independent Persons:

- 3.1 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. Two Independent Persons are required to sit on the Advisory Panel and they should ideally not have been involved in the initial assessment of a complaint. Three Independent Persons have therefore been appointed (at the 09 May 2017 Council meeting) and they will be used on a rotational basis to assess complaints and support the Advisory Panel.

3.2 The Independent Persons for 2017/18 are:

- Lindsey Appleton
- James Rees
- Mike Wall

Governance and Ethics Committee

3.3 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. This year a substitute parish councillor has been appointed to allow for continuity. The membership for 2016/17 is as follows:

- Steve Ardagh-Walter,
- Jeff Beck,
- Graham Bridgman,
- Paul Bryant,
- James Cole,
- Lee Dillon,
- Anthony Pick,
- Quentin Webb,
- Geoff Mayes, (Non-voting Parish Council representative)
- Barrie Dickens (Non-voting Parish Council representative)

- Billy Drummond (substitute)
- Sheila Ellison (substitute)
- Jason Collis (substitute)
- Jane Langford (substitute non-voting Parish Council representative)

Advisory Panel

3.4 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.

3.5 The Membership for 2017/18 is as follows:

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

- Darren Peace

3.6 We have also appointed a substitute Parish Councillor (Bruce Laurie) to this Panel to ensure that we have continuity in the event of one of the parish councillors deciding that they no longer wished to support the Panel.

4. Parish/ Town Councils

4.1 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.

5. Council's Constitution

5.1 Since March 2017 a number of changes have been made to the Constitution: The Monitoring Officer under her delegated authority has authorised the following changes:

- (1) Part 1 - Summary and Explanation, paragraphs 1.4, 1.7 and 1.10
- (2) Part 2 – Articles of the Constitution, paragraphs 2.2.3, 2.2.4, 2.2.5, 2.3.1, 2.3.5, 2.5.3 and 2.8.
- (3) Part 4 – Council Rules of Procedure, paragraphs 4.1, 4.2.1(p), 4.12.1, 4.17.3 and 4.18.2
- (4) Part 7 – Regulatory and Other Committees Rules of Procedure, paragraphs 7.13, 7.11.2 and 7.1.7

5.2 Since March 2017 the following changes have been, made to the Constitution as a result of decisions made at Council meetings:

- (1) Part 2 – Articles of the Constitution, paragraphs 2.7.1 and 2.8.3
- (2) Part 6 – Overview and Scrutiny Rules of Procedure, paragraphs to 6.1.1, 6.1.2, 6.1.4 (inserted), 6.1.6, 6.1.9, 6.1.12, 6.1.13, 6.3.1, 6.3.2, 6.3.3 and 6.3.4
- (3) Part 13 – Codes and Protocols, Appendix G, paragraph 1.4
- (4) Part 15 – Management Structure (re-written post the Senior Management Review)

6. Complaints Against Councillors

During Quarter 1 of 2017/18 (April – June 2017) one formal complaint (NPC3/17) was received by the Monitoring Officer. This complaint pertained to a parish councillor. Following the initial assessment of the complaint it was decided that no further action should be taken on the complaint.

There is one outstanding complaint (NPC1/17) from quarter 4 of 2016/17 which is still being investigated. If the independent investigator finds that the Code of Conduct might have been breached the Advisory Panel will need to assess the complaint with a view to making a recommendation to the Governance and Ethics Committee who will determine the matter at a hearing.

7. Dispensations

7.1 No dispensations to West Berkshire Councillors were granted during Quarter 1 of 2017/18.

8. Gifts and Hospitality

8.1 No gifts or hospitality have been registered during Quarter 1 of 2017/18. In addition all hospitality received by the Chairman whilst undertaking his civic duties is documented and reported to the Monitoring Officer. Officers will send a reminder to members about the need to register gifts and hospitality.

9. Conclusion

9.1 The number of complaints received in respect of alleged breaches of the Members Code of Conduct remains low, which indicates that standards of ethical conduct remain generally high across West Berkshire at both District and at Parish / Town Council levels.

10. Consultation and Engagement

Copies of the year end report will be circulated to all town and parish councils.

Background Papers:

- Localism Act 2011
- Reports to Council 10 May 2012 , Special Council on the 16 July 2012, September 2016
- 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 | <input type="checkbox"/> |
| Delays in implementation could have serious financial implications for the Council | <input type="checkbox"/> |
| Delays in implementation could compromise the Council's position | <input type="checkbox"/> |
| Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months | <input type="checkbox"/> |
| Item is Urgent Key Decision | <input type="checkbox"/> |
| Report is to note only | <input checked="" type="checkbox"/> |

Wards affected: All

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aims:

- 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:

MEC1 – Become an even more effective Council

Officer details:

Name: Sarah Clarke
Job Title: Interim Head of Legal Services
Tel No: 01635 519596
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Annual Internal Audit report 2016-17 - Summary Report

Committee considering report:	Governance and Ethics Committee on 21 August 2017
Portfolio Member:	Councillor Keith Chopping
Date Portfolio Member agreed report:	3 August 2017
Report Author:	Ian Priestley
Forward Plan Ref:	GE3367

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 2016-17.
- 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 the 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

Executive Summary

5. Introduction / Background

- 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 2016-17 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			1	1	
Other systems		1			

- 5.3 The audit that was rated as weak was Section 17 Support in Children and Family Services.

- (1) Internal Audit comments - Under Section 17 of the Children Act 1989, local authorities have a duty to safeguard and promote the welfare of children within their area who are assessed as being in need; and to promote the upbringing of such children by their families, by providing a range and level of services appropriate to those children's needs. The support provided under Section 17 may cover accommodation costs and giving assistance in kind, vouchers or cash. Assistance may be unconditional or subject to conditions as to the repayment of the assistance or of its value (in whole or in part). Our review concentrated on the adequacy of the processes and procedures that the Service has established regarding the provision of financial assistance under Section 17 of the Children Act 1989. We also covered the provision of advice for such cases to ensure all possible sources of support, both financial and advisory, have been taken into account when assessing the need for Council support.

The main areas of weakness related to the fact that the Service has not clearly defined what it will provide as part of Section 17 support, although we found that there was a policy/procedure covering Section 17 support, it was dated 2009 and is no longer being followed in practice. Due to the lack of an up to date Policy and guidance we found inconsistencies regarding how the provisions were being made, recorded and reviewed. There were also inconsistencies with the budget codes used to record expenditure being incurred for S17, which makes it difficult to identify and monitor the level of Section 17 support being provided.

- (2) The Head of Children and Family Services comments - there have been significant structural and financial changes across Children and Family Services over the last two years to move the service from a significant over-spending position to managing an outturn of a small underspend in 2016/17. This process has included a range of training, recording and restructuring within the service to ensure strong financial disciplines across a range of budgets.

This work continues and a re-profiling of our S17 budgets took place at the beginning of the 2017/18 financial year. It is accepted however that our policy, practices and monitoring arrangements need to be reviewed and amended to reflect the practices that take place across other areas of spend within CFS and align with this re-profiling.

A challenge for the service has been that we were needing to assure ourselves as to the breadth of changes that have been introduced that we resisted making further changes to financial arrangements until confidence could be gained in ensuring a full year of well managed budgets and service spend was undertaken. This has now been confirmed through 2016/17 and therefore priority will be given address all the issues raised in this audit to bring further confidence in the financial management arrangements within Children and Family Services under the area of Section 17 spend.

- 5.4 The following summarises the results of follow up audits where internal audit provide an opinion on progress being made with the implementation of agreed recommendations.

Type	Unsatisfactory	Satisfactory
Key Financial Systems		
Other systems		5

- 5.5 The results of the audit work in this period are positive. The key point the committee should bear in mind is that services are responding positively to audit work and are implementing agreed recommendations.

6. Proposal

- 6.1 The results of the audit work should be noted.

7. Conclusion

- 7.1 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.

8. Appendices

- 8.1 Appendix A – Current audit work
 8.2 Appendix B – Completed audit work

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1) CURRENT AUDITS

Directorate/Service	Audit Title	Current Position of Work	Audit Plan Year
Corporate	National Fraud Initiative	Undertaking reviews for the 16/17 exercise	2017/18
Resources			
Finance & Property	Accounts Receivable	Draft Issued	2015/16
Finance & Property	Asset Management Strategy	Draft Issued	2015/16
ICT and Customer Services	Change Control Management	Ready for Review	2016/17
ICT and Customer Services/HR	Telecommunications	Draft Issued	2016/17
Strategic Support	Electoral Services	Testing	2016/17
Finance & Property	General Ledger	Testing	2016/17
Finance & Property	Asset Project Management	Draft Issued	2015/16
Finance & Property	Property Database	Draft Issued	2015/16
Finance & Property	Accounts Payable	TOR Issued	2017/18

Communities			
Housing Care Commissioning, Safeguarding and Housing	Disabled Facility Grants	Draft Issued	2015/16
Education	Education Capital Programme	Ready for Review	2015/16
Children & Family Services	Turnaround Families Programme – testing of grant claims	Ongoing testing of claims	2016/17

Children & Family Services	Guardianship/Residence Orders	Testing	2016/17
Adult Social Care	Charging and Assessment of Resources	Ready for Review	2016/17
ASC/Commissioning	Assessment of Need/Purchase of Care - Residential	TOR issued	2017/18

Environment			
Highways and Countryside	Home to School Transport	Draft issued	2014/15
Highways and Countryside	Fleet Management	Ready for Review	2016/17
Public Protection & Culture	Shaw House	Draft Issued	2016/17
Public Protection & Culture	Museum	Draft Issued	2016/17
Highways & Countryside	Parking	Background	2017/18
Public Protection & Culture	Leisure Centre Contract Management	TOR issued	2017/18

2) CURRENT ADVISORY REVIEWS/OTHER WORK

Directorate/Service	Audit Title	Current position of work
Communities	CareDirector System	Audit Manager undertaking an advisory role in the implementation of the new system

3) CURRENT FOLLOW-UPS

Directorate/Service	Audit title
Corporate	
Resources	
Strategic Support/ICT & Customer Services	Management of Archive Storage
Finance & Property	Insurance Claims Management
Communities	
Children & Family Services	Section 17 Support
Environment	

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1) Completed Audits

Directorate/Service	Audit Title	Date Audit finalised	Overall Opinion
Resources			
Finance & Property	Budgetary Control	13/02/17	Well Controlled
Finance & Property	Council Tax	11/01/17	Satisfactory
Communities			
Children & Family Services	Section 17 Support	04/11/16	Weak

Environment			

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	Corporate Performance Management	10/01/17	Satisfactory	Satisfactory
Resources				
Finance & Property	Commercial Rents	05/04/17	Weak	Satisfactory
Human Resources	DBS Checks	26/09/16	Satisfactory	Satisfactory
Strategic Support/ICT & Customer Services	Data Protection /Information Access	17/01/17	Well Controlled	Satisfactory
Communities				
Environment				
Public Protection & Culture	Trading Standards Joint Agreement	29/03/17	Satisfactory	Satisfactory

Annual Governance Statement - Statement in Support by the Section 151 Officer – Summary Report

Committee considering report:	Governance and Ethics Committee on 21 August 2017
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	3 August 2017
Report Author:	Andy Walker
Forward Plan Ref:	GE3253

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

- 9.1 Appendix A - Supporting 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 exceptions 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 2016/17 the provisional outturn has delivered an overspend of £7k against the budget, which is 0.006% of net budget 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 2016/17 and the s151 Officer confirms the robustness of the financial and budgetary frameworks.

3. Conclusion

- 3.1 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.

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

Officer details:

Name: Andy Walker
Job Title: Head of Finance and Property (s151 Officer)
Tel No: (01635) 519433
E-mail Address: andy.walker@westberks.gov.uk

Annual Governance Statement - Statement in Support by the Monitoring Officer - Summary Report

Committee considering report: Governance and Ethics Committee on 21 August 2017

Portfolio Member: Councillor Keith Chopping

Date Portfolio Member agreed report: 3 August 2017

Report Author: Sarah Clarke

Forward Plan Ref: GE3252

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 None. This Report is produced in accordance with CIPFA Guidance and current policy of the Council.

Executive Summary

5. Introduction / Background

- 5.1 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).

6. Proposal

- 6.1 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.
- 6.2 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.
- 6.3 A Task Group was set up to review the Members Code of Conduct and a revised Code of Conduct was approved by Council in September 2016.
- 6.4 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 and activities likely to impact upon the Council's operations from a legal perspective where appropriate have been identified.
- 6.4 **Equalities Impact Assessment Outcomes.**
- 6.5 There is no decision to be made which impacts on Equality matters.

7. Conclusion

- 7.1 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.

8. Appendices

- 8.1 Appendix A – Supporting Information
- 8.2 Appendix B – Equalities Impact Assessment

Annual Governance Statement - Statement in Support by the Monitoring Officer – Supporting Information

1. Introduction/Background

- 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. Supporting Information

- 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.
- 2.2 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, governance arrangements within the Council and which has the role of reviewing the Council's Constitution in a systematic way. If changes to the Constitution are necessary due to legislative changes 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.
- 2.3 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 2016/17 there have been no reports or investigations necessary which fall within the requirements of Section 5 of the 1989 Act.

- 2.4 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 on the Council's Code of Conduct. In addition support regarding the Code has been provided for Town and Parish Councils. Training has additionally been offered to individual parishes following recommendations from Governance and Ethics Committee.
- 2.5 The Task Group set up by the Governance and Ethics Committee was to review and revise the Code of Conduct completed its review and a revised Code of Conduct was adopted by Council in September 2016. The intention of the revised Code was to make it more user friendly and accessible to those using it.

3. Options for Consideration

This Report is produced as an update to Members in accordance with CIPFA Guidance and current policy of the Council. Members are asked to note the contents.

4. Proposals

- 4.1 The conclusions detailed in this Report have been reached having considered various matters including:
- Corporate governance arrangements
 - Ethics and probity
 - Strategic risk register
 - Potential liabilities

4.2 Robustness of corporate governance arrangements

- 4.2.1 As Members will be aware, the Governance and Ethics Committee and Council considers reports throughout the year regarding proposed amendments to the Constitution.
- 4.2.2 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 2016/17 and has taken into account the impacts of new legislation which introduced changes to service provision at various levels within the Council.
- 4.2.3 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.

4.3 Ethics & Probity

- 4.3.1 As in previous years, ethics and probity matters were considered by the Council's Governance and Ethics Committee.

- 4.3.2 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.
- 4.3.3 Whilst there were complaints and references to the Assessment Panel of Governance and Ethics Committee throughout 2016/17, few required full investigation. The number of complaints has remained relatively static although there was a slight decrease during the year. Overall, the number of complaints remains low which may be due to good ethical 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.
- 4.3.4 The Council’s website provides a complaints form and details of the process for dealing with breaches of the Codes of Conduct adopted at District and Parish level.

4.4 Implementation of Action Plans from Strategic Risk Register

- 4.4.1 All strategic risks are placed on a risk register and reviewed by Corporate Board and Operations 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. These processes also ensure that appropriate mitigation is implemented and maintained to manage strategic risks. Both the Monitoring Officer and S151 Officer sit on the Corporate Board.

4.5 Potential Liabilities

- 4.5.1 Whilst there have been cases considered by various courts during the year, none of these were of significance to warrant particular risks being identified on the Strategic Risk Register. 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.
- 4.5.2 Overall there has been an increase in the number of instructions received by Legal Services from services throughout the Council. The Council received 6 formal pre action letters in connection with potential judicial review proceedings during the year, and proceedings were commenced in 2 of those cases.
- 4.5.3 There are ongoing cases where contingent liabilities have been identified by officers and risks recognised and moderated at Service and Council level by various actions.

5 Conclusion

- 5.1.1 As a result of regular reviews of legislation, changes to processes and procedures are considered by Governance and Ethics Committee. The Constitution and its associated rules are reviewed systematically to ensure they are up to date. Strategic risks are identified and considered in a structured way by the Council, and suitable measures put in place to mitigate risks where necessary. The Risk Register does not highlight any specific legal or procedural matters which require investigation.

- 5.2 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 these are considered by the Governance and Ethics Committee.
- 5.3 It is the Monitoring Officer's assessment that the Council's governance arrangements are robust and effective.

6 Consultation and Engagement

- 6.1 Officers Consulted: *Andy Walker*, Andy Day; Moira Fraser; Shiraz Sheikh; Ian Priestley.

Background Papers:

Key background documentation:

- Reports to Governance & Ethics Committee and Council relating to alleged breaches of the Code of Conduct during 2016/2017
- Updates to the constitution

Subject to Call-In:

Yes: No: X

The item is due to be referred to Council for final approval	X
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>
Delays in implementation could compromise the Council's position	<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>
Item is Urgent Key Decision	<input type="checkbox"/>
Report is to note only	X

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

X MEC – Become an even more effective Council

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

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 ensuring robust governance arrangements are in place.

Officer details:

Name: Sarah Clarke
Job Title: Interim Head of Legal Services
Tel No: 01635 519596
E-mail Address: sarah.clarke@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 as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; This includes the need to:**
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

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

What is the proposed decision that you are asking the Council to make:	N/A – Council are asked to note the Report.
Summary of relevant legislation:	See Report.
Does the proposed decision conflict with any of the Council’s key strategy priorities?	No.
Name of assessor:	Sarah Clarke
Date of assessment:	15/06/17

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

1. What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	To provide assurance that the Council's systems and procedures of internal control which are in operation are effective, efficient and being complied with.
Objectives:	To ensure the maintenance of robust governance arrangements.
Outcomes:	The Council operates within a system of good governance.
Benefits:	The Council will operate in an effective and efficient manner.

2. Note which groups may be affected by the proposed decision. 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
Age	None	
Disability	None	

Gender Reassignment	None	
Marriage and Civil Partnership	None	
Pregnancy and Maternity	None	
Race	None	
Religion or Belief	None	
Sex	None	
Sexual Orientation	None	
Further Comments relating to the item:		

3. Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer: This report is for information.	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer: This report is for information.	

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 Two 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:	

Name: Sarah Clarke

Date: 15 June 2017

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

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Annual Governance Statement 2016-17 - Summary Report

Committee considering report:	Governance and Ethics Committee
Date of Committee:	21 August 2017
Portfolio Member:	Councillor James Fredrickson
Date Portfolio Member agreed report:	03 July 2017
Report Author:	Ian Priestley
Forward Plan Ref:	GE3269

1. Purpose of the Report

- 1.1 The report sets out the Annual Governance Statement (AGS) for the Council for 2016-17.
- 1.2 This report outlines issues that Corporate Board considered should be included in the 2016-17 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

Executive Summary

5. Introduction / Background

- 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 2016-17 is attached to this report 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
 - (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 2015-16 outlined two issues of concern. These were:
- (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.

These issues have been successfully mitigated by action taken during 2016-17.

6. Proposal

6.1 Two issues have been identified as requiring action in this year's AGS. These relate to:

- (1) The Council's proposals to invest significant sums in property to generate revenue present an opportunity to mitigate the ongoing financial pressures faced by the Council.
- (2) The Council's transformation programme aims to help the Council continue to deliver services within reducing resources.

These issues will be mitigated by carrying out a review of the governance arrangements of the Council.

7. Conclusion

7.1 A key function of the Governance and Audit Committee is to review and approve the AGS for 2016-17 prior to it being signed off by the Chief Executive and Leader of the Council.

7.2 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.

8. Appendices

8.1 Appendix A – Draft Annual Governance Statement for 16-17

8.2 Appendix B – Summary of Heads of Service Assurance Statements

8.3 Appendix C – Pro-forma 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 2017 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 2015/16

5.1 The following is an outline of the significant governance issues that were identified in preparing the 2015/16 AGS.

- 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.

5.2 The following measures were 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.

6 Significant Governance Issues identified in 2016/17

6.1 The following is an outline of the significant governance issues identified in 2016/17.

- The Council's proposals to invest significant sums in property to generate revenue present an opportunity to mitigate the ongoing financial pressures faced by the Council. Given the proposed scale of the investment the Council will need to ensure that there are effective governance arrangements in place around investments decisions and ongoing management of the investments.
- The Council's transformation programme aims to help the Council continue to deliver services within reducing resources. Given the potential scale of change arising from transformation, the Council will need to ensure that there are effective governance arrangements around proposed changes.

6.2 The following measures will be implemented during 2017/18:

- The Finance and Governance Group will review the Council's governance arrangements to ensure they are fit for purpose in the increasingly complex and challenging environment that the Council is working within.

Signed:

Nick Carter – Chief Executive

Graham Jones – Leader of the Council

Appendix B - Summary of returns of Heads of Service Assurance Statements

Resources

Service	Assurance Statement received	Risk Register Received	
Finance & Property	Yes	Yes	
Strategic Support	Yes	Yes	
Customer Services &IT	Yes	Yes	
Human Resources	Yes	Yes	
Commissioning	Yes	Yes	

Environment

Service	Assurance Statement received	Risk Register Received	
Transport & Countryside	Yes	Yes	
Development & Planning	Yes	Yes	
Public Protection & Culture	Yes	Yes	

Communities

Service	Assurance Statement received	Risk Register Received	
Education	Yes	Yes	
Children & Family Services	Yes	Yes	
Adults Social Care	Yes	Yes	
Prevention & Safeguarding	Yes	Yes	
Public Health and Wellbeing	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 – 2016/17

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 – 2016/17

<p>5</p>	<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>	
<p>6</p>	<p>Overall Assurance from Head of Service</p> <p>In my opinion the internal control framework of the Service that I was responsible for during 2016-17 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>	
<p>7</p>	<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>	
<p>8</p>	<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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West Berkshire Council Financial Statements 2016/17 including external auditor's opinion - Summary Report

Committee considering report:	Governance and Ethics Committee on 21 August 2017
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	3 August 2017
Report Author:	Lesley Flannigan
Forward Plan Ref:	GE2351

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 2017.

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

Executive Summary

- 4.2 The s151 officer approved the draft Financial Statements as at the 31st March 2017 on the 31st May 2017. The Council's draft Financial Statements were also published on the West Berkshire Council website on 31st May 2017. KPMG completed their audit over the intervening period and have issued an unqualified opinion on the Financial Statements.
- 4.3 The Governance and Ethics Committee has delegated responsibility to approve the Financial Statements by the 30th September 2017 on behalf of the Council.
- 4.4 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 2017, taking into account KPMG's opinion. This will enable the audit to be finalised and the accounts to be closed for the 2016/17 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 2017 at Appendix B.

5. Conclusion

- 5.1 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 2017.

6. Appendices

- 6.1 Appendix A – IAS260 KPMG report
- 6.2 Appendix B – Council's Financial Statements as at 31 March 2017



External audit report 2016/17

West Berkshire Council

21 August 2017

Summary for Governance and Ethics Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at West Berkshire Council ('the Authority').

Our findings are summarised on pages 4 – 14.

Our report also includes findings in respect of our control work that we have identified during the course of our audit.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 30 September.

We have identified one audit adjustment with a total value of £4.6 million. See page 26 for details.

Based on our work, we have raised three recommendations. Details on our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our completion certificate and Annual Audit letter before the end of September.

Use of resources

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

See further details on page [x].

Acknowledgements

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

We ask the Governance and Ethics Committee to note this report.

Contents

The key contacts in relation to our audit are:

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27	Three: Materiality and reporting of audit differences
28	Four: Declaration of independence and objectivity
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This report is addressed to West Berkshire Council (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

Financial Statements



We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements by 30 September 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'* published in April 2016).



Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority’s significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
<p>1. Significant changes in the pension liability due to LGPS Triennial Valuation (Authority and [Pension Fund])</p>	<p>Why is this a risk?</p> <p>During the year, the Pension Fund for Berkshire has undergone a triennial valuation with an effective date of 31 March 2016, in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pension assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.</p> <p>The pension numbers to be included in the financial statements for 2016/17 are based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited input data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by the Royal Borough of Windsor and Maidenhead, who administer the Pension Fund.</p> <p>Our work to address this risk</p> <p>We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note.. We found that there was no management review of actuarial assumptions as simple reliance was placed on the experts. There is a risk that without challenge from the Authority, the actuary could use inappropriate assumptions to calculate the pension liability, thus potentially resulting in an incorrect liability being recognised.</p> <p>We have confirmed the expertise of the actuary and assessed the reasonableness of the assumptions used through review of national benchmarking and liaison with KPMG’s experts.</p> <p>We have also substantively agreed the total figures submitted to the actuary to the council’s general ledger with no issues to note. We have engaged with your Pension Fund auditors to gain assurance over the pension figures.</p>

Considerations required by professional standards

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 2016/17* 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.



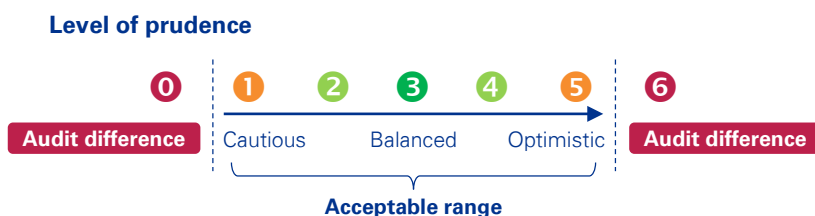
Other areas of audit focus

We identified two areas of audit focus. These are not considered as significant risks as they are less likely to give rise to a material error. Nonetheless these are areas of importance where we carry out substantive audit procedures to ensure that there is no risk of material misstatement.

Other areas of audit focus	Our work to address the areas
<p>1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS</p>	<p>Background</p> <p>CIPFA has introduced changes to the 2016/17 Local Government Accounting Code (Code):</p> <ul style="list-style-type: none"> — Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and — Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the CIES and the way that local authorities are funded and prepare their budget. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. <p>The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.</p> <p>What we have done</p> <p>For the restatement, we have obtained an understanding of the methodology used to prepare the revised statements. We have also agreed figures disclosed to the Authority’s general ledger and found no issues to note.</p>
<p>2. Assuring the fair value of PPE</p>	<p>Background</p> <p>In 2015/16 the Council reported PPE of £428 million. Local authorities exercise judgement in determining the fair value of the different classes of assets held. 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.</p> <p>What we have done</p> <p>We have reviewed the approach to valuation, the qualifications and reports by the Council’s external valuers and the judgements made by the Council in response to the information received (e.g. how the council considers changes in value between formal valuations).</p> <p>We identified an error in the valuation where assets of £4.6m not owned by the council were incorrectly included in the valuation figures. We also identified that the council do not commission the valuer to assess formally the remaining useful lives of the assets. We have raised three recommendations in this area (see page 23).</p>

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016/17	2015/16	Commentary
Provisions	3	3	Provisions have moved from £350k to £153k therefore they have not materially changed. We consider the provision disclosures to be proportionate.
Accruals	3	3	The main accruals are broadly in line with the prior period (£18.15 million against £18 million). Given the nature of council activities this is in line with what we would consider to be proportionate.
PPE: Asset lives	2	3	On review we found that asset lives were based on historic assessments by the in house team. These were found to be more cautious than the generic value applied by the valuer (default of 60 years for all buildings). We have recorded this as more cautious, but we expect the Authority to carry out additional work in 2017/18.
Pensions	3	3	The Authority uses the assumptions considered most appropriate to its circumstances as recommended by the external actuary, Barnett Waddingham LLP. We have checked these assumptions against the view of KPMG’s actuaries and concluded they are broadly consistent.
Reserves	5	5	The balance on General Fund reserves has stayed stable at £6.3 million since 31 March 2016. This is close to the minimum recommended by the Head of Finance and Property.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Governance and Ethics Committee on 21 August 2017.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £5 million. Audit differences below £0.25m are not considered significant.

Our audit identified a total of one significant audit difference, which we set out in Appendix 3. It is our understanding that this will be adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2017.

There is no net impact on the General Fund as a result of the audit adjustments. This is because the adjustment related to investment property valuations affects the deficit and the accounting adjustments equally.

In addition, we identified a 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'). We understand that the Authority will be addressing these where significant.

Movements on the general fund 2016/17			
£m	Pre-audit	Post-audit	Ref ¹
Deficit on the provision of services	20.9	25.4	1
Adjustments between accounting basis and funding basis under Regulations	(19)	(23.5)	1
Transfers from earmarked reserves	-	-	
[Increase/Decrease] in General Fund	(1.9)	(1.9)	

Balance sheet as at 31 March 2017			
£m	Pre-audit	Post-audit	Ref ¹
Property, plant and equipment	432.1	427.5	1
Other long term assets	0.1	0.1	
Current assets	35.3	35.3	
Current liabilities	(51.9)	(51.9)	
Long term liabilities	(459)	(459)	
Net worth	(43.5)	(48.1)	
General Fund	(6.3)	(6.3)	
Other usable reserves	(42.4)	(42.4)	
Unusable reserves	92.2	96.8	1
Total reserves	43.5	48.1	

¹ See referenced adjustments in Appendix 3.

Section one: financial statements

Annual governance statement

We have reviewed the Authority's 2016/17 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.

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

Narrative report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on 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. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.



Introduction of KPMG Central

We introduced KPMG Central this year, which is a cloud-based document storage system to facilitate the secure transfer of large amounts of data between the Authority and the audit team. KPMG Central aligns to our Accounts Audit Protocol and allows the Authority's Finance Team to efficiently share requested information. Feedback from the finance team has been positive and allows us to keep track of uploaded documents.

Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017/18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

The Authority has strengthened its financial reporting by finalising the accounts in a shorter timescale. This puts the Authority in a good position to meet the new 2017/18 deadline.

We consider the Authority's accounting practices appropriate.

Completeness of draft accounts

We received a complete set of draft accounts on 30 May 2017. There were some presentational matters arising in that draft, and it would have benefited from a review within the Authority from somebody independent of the accounts preparation process.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in May 2017 to agree the documentation we needed to see. This helps the Authority to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Below we have highlighted exceptions in relation to controls:

NEED TO ADD re Recommendation 3

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 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 2017, 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 5 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 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 or our previous reports relating to the audit of the Authority's 2016/17 financial statements.



Section two

Value for money

Our 2016/17 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 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.

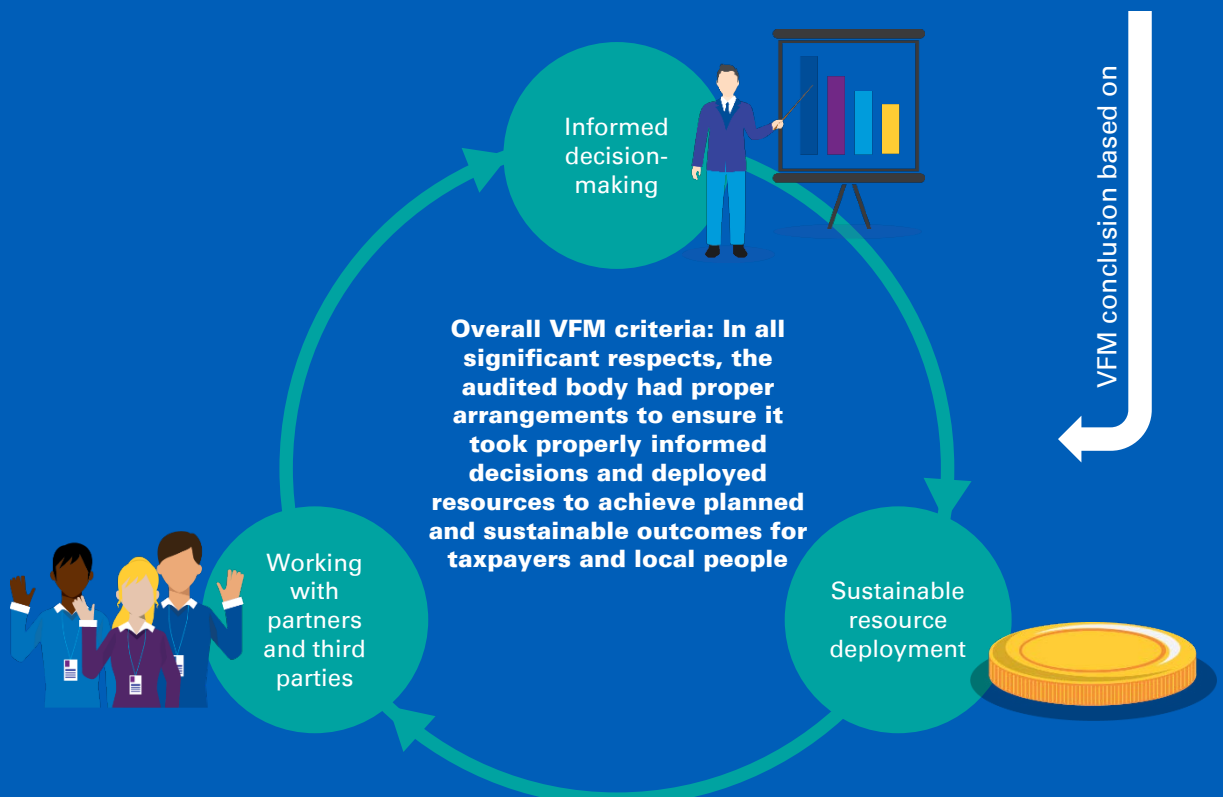
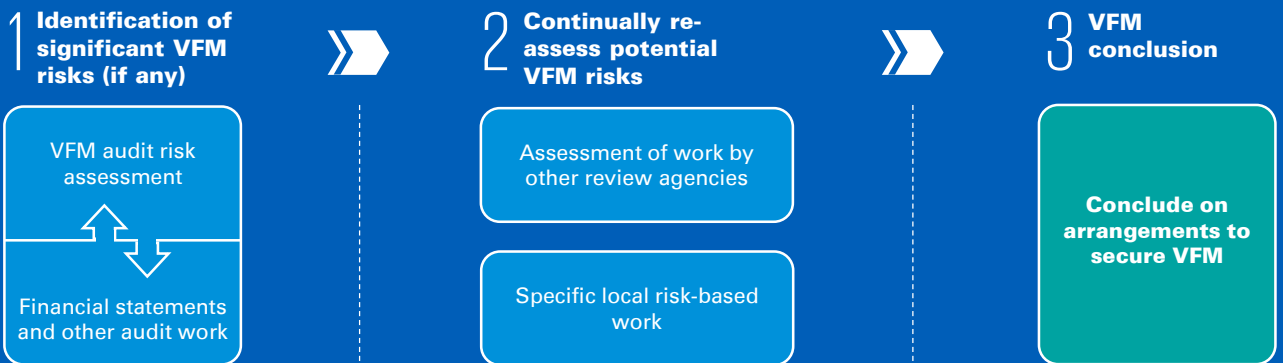
VFM conclusion

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.’

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.



The table below summarises our assessment of the individual VFM risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary			
VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
Financial resilience	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016/17, 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.

Further details on the work done and our assessment are provided on the following pages.

Property Investment Strategy

As part of the Corporate Programme, the Authority is planning to invest in commercial and residential property to generate new income streams. This is a route being taken by a significant number of local authorities.

The Authority is proposing to acquire up to £50 million of commercial investment properties (by the end of 2018) to provide a balanced investment portfolio to give the Authority a long term revenue stream.

The Authority has also approved specific governance arrangements for this strategy – mainly through the Property Investment Board plus additional Executive Committee approval needed in certain circumstances.

The Authority will be supported by an external property consultant to oversee acquisition and estate management.

The portfolio will be reviewed annually to consider performance of each asset, risk profile movements, market review, review of assessment criteria and review of holding period for the properties.

We have supplied the Head of Finance and Property with some general comments as to what steps the Authority needs to consider when going through key decision making steps, and specific comments about the risks or making investments outside the Authority’s geographical area.

We will monitor the Authority’s progress in implementing its Property Investment Strategy as part of our 2017/18 audit.

Significant VFM risks

We have identified one significant VFM risk, as communicated to you in our *2016/17 External Audit Plan*. We are satisfied that internal scrutiny provides sufficient assurance that the Authority’s current arrangements in relation to these risk areas are adequate.

Significant VFM risks

Work performed

1. Financial resilience in the local and national economy

Why is this a risk?

There has been a significant shift in the national outlook over the last 12 months, primarily driven by the outcome of the referendum on 23 June 2016 on the UK’s membership of the European Union. Consequently GDP growth forecasts have been revised downwards, which potentially reduces the level of any growth in business rates income. Inflationary pressures, service pressures, and a reduction in the local government finance settlement will also impact on the Authority’s finances.

In February 2017, the Authority published its latest Medium Term Financial Strategy (MTFS) 2017/18 –2019/20 that sets out a balanced budget for 2017/18, but also noted significant reductions in future funding that needed to be addressed. The Authority has implemented a Corporate Programme to ensure it is able to bridge the forecast gap in the MTFS.

The Annual Governance Statement also refers to a review of the Authority’s governance arrangements by the Finance and Governance Group during 2017/18 to ensure the arrangements are fit for purpose in the increasingly complex and challenging environment that the Authority is working within.

Summary of our work

Like most local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services.

The Authority has faced tough challenges in recent years, including a savings programme of £13.9 million required to set a balanced budget at the start of the 2016/17 financial year. This is also against a back drop where over the previous six years, the Authority has had to find over £37 million of revenue savings, which has been achieved 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 low increases in Council Tax, although the Authority needed to increase Council Tax by the maximum of 3.99% (1.99% increase in Council Tax; and 2% increase in Council Tax ring-fenced for Adult Social Care) in 2016/17.

In addition to the funding issues, the Authority has experienced significant demand led pressure, estimated at £3.9 million for 2016/17, including: placements pressures for children’s services; delivering the Ofsted improvement plan (following the 2015 inspection); transition of learning disability clients from children to adult placements; costs associated with Deprivation of Liberty Safeguarding; contract inflation for waste services; childcare lawyers joint arrangement; disability and residential care packages; and Special Educational Needs home to school transport.

In light of the challenges, the Authority has continued to show good control of finances and an ability to manage within its budgets. The budgeted net revenue expenditure in 2016/17 was £116.8 million with a provisional revenue outturn over spend of £7,000 or 0.006% of net budget. The Authority has delivered outturns close to its budget requirement over recent years with underspends in 4 of the previous 5 years (as a percentage of net budget these ranged from 0.03% to 0.50%; and the overspend in 2015/16 was 0.10%).

Significant VFM risks Work performed

(continued)

The 2017/18 budget sets out details of movements and expectations for income and budget requirements for services, capital financing etc. In particular there are directorate pressures and service growth of £4.2 million; a fall of £5.8 million in the Authority's Revenue Support Grant; and agreement to increase Council Tax by the maximum allowed (4.99% increasing income by £6.1 million). In total this left a 'gap' of £4.7 million, which the Authority needed to fill by generating savings and/or additional income, in order to deliver a balanced budget.

The budget paper includes the details of the savings agreed and approved to close the £4.7 million 'gap'. In addition the Authority consulted the local population regarding the 'frontline' proposed savings. Given that the Authority has planned and delivered savings in excess of £5 million for each of the last 6 years, we have a degree of confidence that the Authority will continue to deliver in 2017/18.

Using this increased financial stability (from accepting central Government's 4 year settlement) and the position from 2016/17 and the 2017/18 budget, the Authority's MTFS projects forward its anticipated funds available and budget requirement for 2018/19 and 2019/20. The MTFS identifies that £14.2 million of further savings needed to be identified (in total) for the two financial years 2018-20. Whilst this represents a significant challenge, when put in the context of savings already made, the Authority is now working on building plans to ensure it is able to continue to deliver services within a balanced budget.

It is also important to note that the Authority's MTFS has assumed no Council Tax increases (in terms of Band charges) and no use of the potential increase for Adult Social Care services (2% in 2018/19 and 1% in 2019/20). Taken together the Authority estimates that, if implemented, this could increase its Council Tax income by £6 million, reducing the savings target to £8.2 million.

The key financial strategy to close the funding gap over the medium term will focus on innovation around service transformation and income generation. To drive this change, the Authority has created a Corporate Programme containing a number of projects to identify opportunities to transform services and implement changes that will deliver new income streams. Alongside this, Directors are looking at a range of solutions which will be presented to a Budget Board every six weeks.

The areas of focus include digitisation, benchmarking, workforce redesign, demand management, exploring a range of alternative models for delivering services and working with partners and communities to deliver services in a different way. The Authority is investing in commercial and residential property to generate new income streams (see earlier comments re property investment strategy) and to meet its statutory housing duties in a more cost effective way.

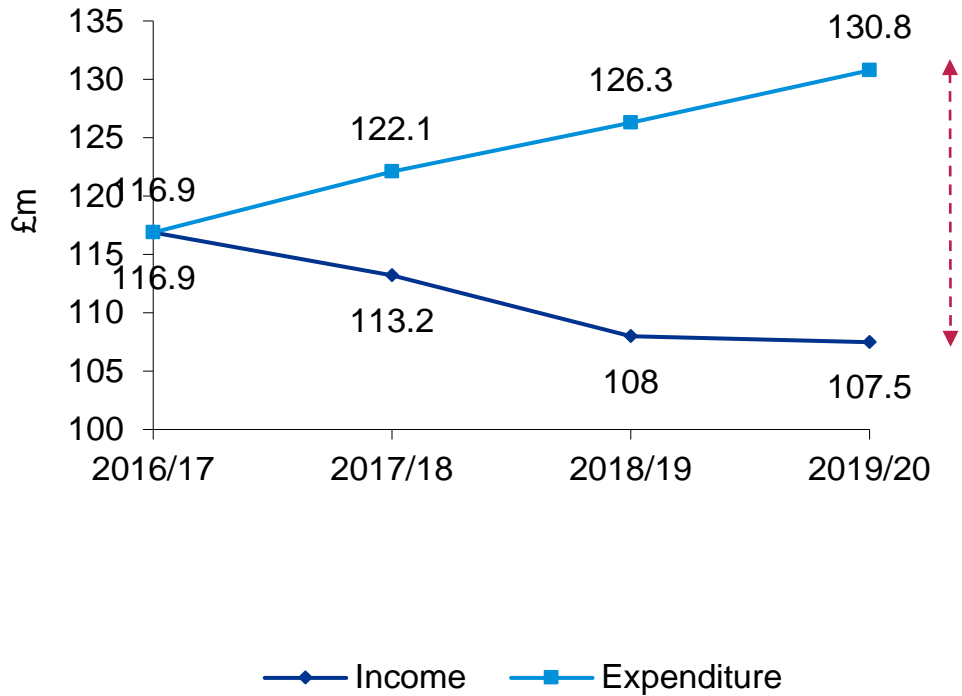
Consequently, although the Authority's financial position remains challenging, there is a balanced budget for 2017/18 and plans are being made to deal with the gap identified for 2018/19 and 2019/20. The Authority's budget also includes capital investment to ensure that core assets are maintained and protected. The Council has reviewed its reserves to ensure they are sufficient for the Authority to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation.

Given the Authority's track record and that there is time (albeit limited) to develop savings plans for 2018/20 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 2017.

Section two: value for money

Significant VFM risks

Work performed



Without any action the annual budget gap would be £23.3m by 2019/20 (130.8 – 107.5). However, as the Authority have identified the steps needed to close the £8.9m gap in 2017/18 (£122.1m - £113.2m), then this reduces the ‘gap’ remaining to £14.4m (i.e £23.3m – 8.9m with some rounding). This will require continued efforts from officers and members, because the Authority has a good track record of finding savings, and so the next batch of savings is often more difficult to find and implement.

A close-up photograph of a stack of books on a wooden surface. The books have various colored covers, including a prominent red one. A silver pen lies horizontally in the foreground, its tip pointing towards the left. The background is softly blurred, showing more books and a warm, natural light source. The word 'Appendices' is overlaid in a red, serif font, flanked by two vertical red lines.


Appendices


Key issues and recommendations


Our audit work on the Authority’s 2016/17 financial statements have identified a number of issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

- 

Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 

Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 

Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary	
Priority	Total raised for 2016/17
High	0
Medium	3
Low	0
Total	3

Medium priority

1. Review of Asset Valuation Report

Our audit identified that the Asset Valuation Report contained assets (and corresponding upward valuations) that were not owned by the Council.

This resulted in the incorrect recognition of a gain on valuation and the Property figure in the draft accounts was too high. As a result we have raised an adjustment for £4.6m (see page 26). This adjustment has no net impact on the general fund as it is mitigated through the capital accounts. Posting the correction required the updating of multiple notes to the accounts.

Recommendation

We recommend that the Head of Estates performs a review of the output of the report in addition to the capital accountant. (and see 2.)

Management Response

[Accepted/Not accepted]

[TBC]

Owner

Head of Finance

Deadline

[TBC]

Medium priority

2. Valuation Instructions

We also found that the valuer recorded a standard useful life to all properties. The Council did not apply this useful life as it was not considered to be sufficiently accurate. The instructions to the valuer did not ask for specific useful lives of assets

The instructions to the valuer need to be clearer, and the output needs to be reviewed more critically within the Council.. A proper third party assessment of useful lives can be more considered more reliable and result in a more accurate figure recorded for depreciation. It could also highlight issues with properties that the Council could manage by planned maintenance or other interventions.

These findings have no impact on the current year as the Estates team have signed off on the in-house useful lives and we have concurred with that approach.

Recommendation

We recommend that the Council review the instructions provided to the valuer to ensure only owned assets are included. In addition we recommend the Council consider the best approach to gaining external assessments of the useful lives of its assets on a regular basis.

Management Response

[Accepted/Not accepted]

[TBC]

Owner

Head of Finance

Deadline

[TBC]



3. Agresso User Accounts

Our review of the leavers from the Agresso system identified 28 former staff with open Agresso accounts despite them leaving the Council in the year.

It is best practice to ensure the accounts of leavers are closed to prevent unauthorised access.

The cases identified were all found to be mitigated, predominantly by the users' main network accounts being closed by IT.

Recommendation

We recommend the introduction of a monthly user account / leaver review and reconciliation to ensure all accounts are closed appropriately.

Management Response

[Accepted/Not accepted]

[TBC]

Owner

Senior Accountant - Systems

Deadline

[TBC]

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Governance and Ethics Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Adjusted audit differences

The following table sets out the significant audit differences identified by our audit of West Berkshire Council’s financial statements for the year ended 31 March 2017. We can confirm that as of the latest version of the accounts these have been corrected.

No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1	Dr Gain on Investment Properties [£4,594]	Cr Adjustments required due to statutory accounting policies [£4,594]	Cr Investment Properties [£4,594]		Dr Unusable Reserves [£4,594]	The investment property revaluation balance contained upwards revaluations related to assets contained in the valuation report but not owned by the Council.
	Dr [£4,594]	Cr [£4,594]	Cr [£4,594]	-	Dr [£4,594]	Total impact of adjustments

Unadjusted audit differences

We are pleased to report that we did not identify any unadjusted audit differences in our audit of West Berkshire Council’s financial statements for the year ended 31 March 2017.

Materiality and reporting of audit differences

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 2016/17, presented to you in March 2017.

Materiality for the Authority's accounts was set at £5 million which equates to around 1.42% percent of gross expenditure. 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 £0.25 million for the Authority.

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 (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.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of West Berkshire Council for the financial year ending 31 March 2017, 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.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work		
Description of non-audit service	Estimated fee	Potential threat to auditor independence and associated safeguards in place
Review of Teachers' Pensions Return	£3,000	<p>Self-interest: The audit fee scale rates were set independently to KPMG by the PSAA. Therefore, the proposed engagement will have no perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit.</p> <p>Self-review: The nature of this work is to review the return provided to the TPS. The figures in the return are not subject to the audit and the review occurs after audit sign off.</p> <p>Management threat: not applicable</p> <p>Familiarity: This threat is limited given the scale, nature and timing of the work.</p> <p>Advocacy: We will not act as advocates for the Authority in any aspect of this work.</p> <p>Intimidation: not applicable</p>
Total estimated fees	£3,000	
Total estimated fees as a percentage of the external audit fees	3.1%	

Appendix 5

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £96,653 plus VAT (£96,653 in 2015/16), which is in line with the prior year. See table below for further detail.

Our work on the certification of Housing Benefits (BEN01) is planned for October 2017. The planned scale fee for this is £[XX,XXX] plus VAT. Planned fees for other grants and claims which do not fall under the PSAA arrangements is £3,000 plus VAT (£3,000 in 2015/16), see further details below.

PSAA fee table		
Component of audit	2016/17 (actual fee) £	2015/16 (actual fee) £
Accounts opinion and use of resources work		
PSAA scale fee set	96,653	96,653
Additional work to conclude our opinions (note 1)	-	-
Subtotal	96,653	96,653
Housing benefits (BEN01) certification work		
PSAA scale fee set [planned for October 2017]	TBC	10,560
Total fee for the Council set by the PSAA	TBC	107,213

All fees are quoted exclusive of VAT.



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Financial Statements 2016/17



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.

The district lies at the convergence of two key roads – 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

The Accounts and Audit (England) Regulations 2015 require the Council to produce financial statements for each financial year giving certain specified information. The Narrative Report accompanies the accounts and sets out to explain the most significant matters. To assist readers, a glossary of accounting terms is included on pages 100 to 103.

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.

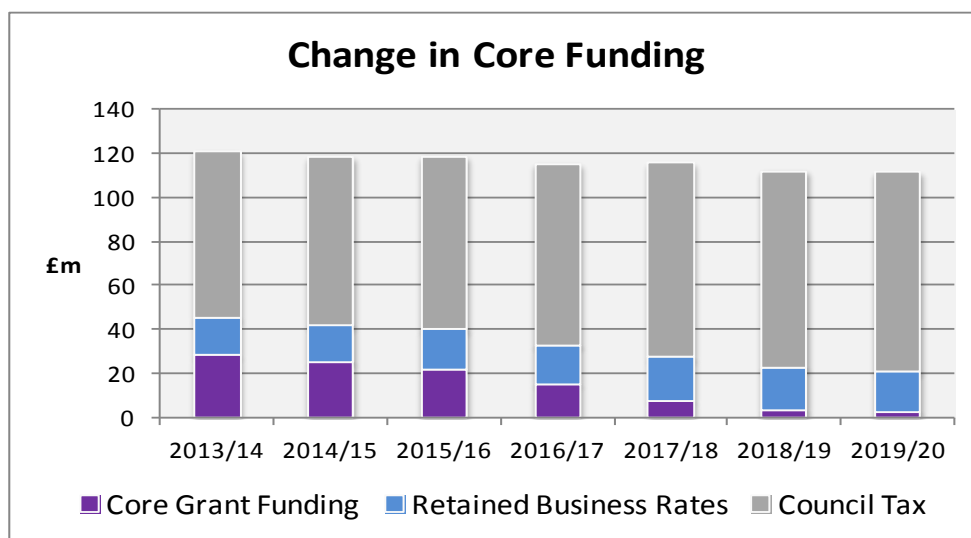
The Financial statements incorporate the following:

- **The Comprehensive Income & Expenditure Account** which records all the Council's income and expenditure within the year. The statement provides an analysis of income and expenditure by directorate level and also shows details of corporate transactions and funding. Expenditure represents a combination of services and activities that the Council is required to carry out by law (statutory duties) and discretionary expenditure focused on local priorities and needs.
- **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. Reserves are reported in two categories. Usable reserves may be used by the Council to provide services or reduce local taxation, 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). Unusable reserves cannot be used by the Council 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 policies'.
- **The Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the Council, analysed into usable reserves which can be invested into capital projects or service improvements and unusable reserves which must be set aside for specific purposes.
- **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 2016/17

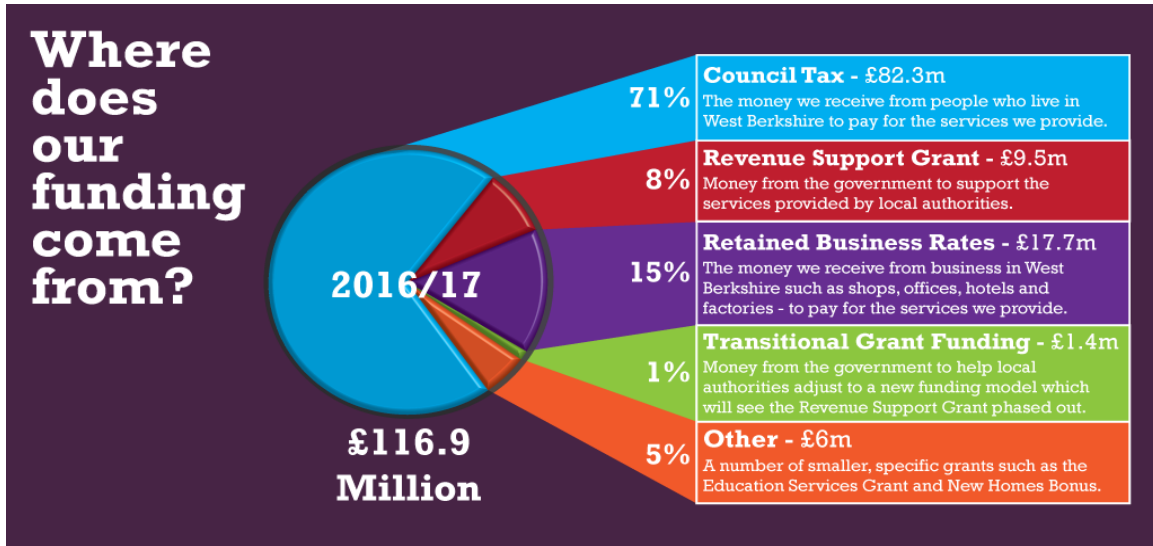
The Council has continued to face significant reductions in its core grant funding and seen greater volatility in financing from local business rate generation, putting pressure on Council tax. 2016/17 saw a 44% cut in Revenue Support Grant (RSG) for West Berkshire from the previous year. The reduction in core grant funding will continue until 2019/20 when it will have reduced to just 2% of available funding.



The Council has faced significant demand led pressure on its social care budgets and needed to make additional budget investment of nearly £4m. Investment was made in children’s social care, which has seen increased demand from children accessing support from the placement budget, and to implement the Ofsted improvements required. Adult Social Care required investment to fund the costs associated with the Deprivation of Liberty Safeguarding (DOLS) and to transition children with learning disabilities into adult support packages. Education Services has seen increased demand for support services for children with disabilities and special educational needs Home to School Transport requirements. The Council has been left to cover an annual funding gap of £3m as a result of the introduction of the Care Act 2014 despite the Government stating they would meet the costs in full.

In 2016/17 West Berkshire Council increased Council tax by 1.99% raising £1.6m and raised a 2% precept on Council tax to fund adult social care pressures which raised an additional £1.6m.

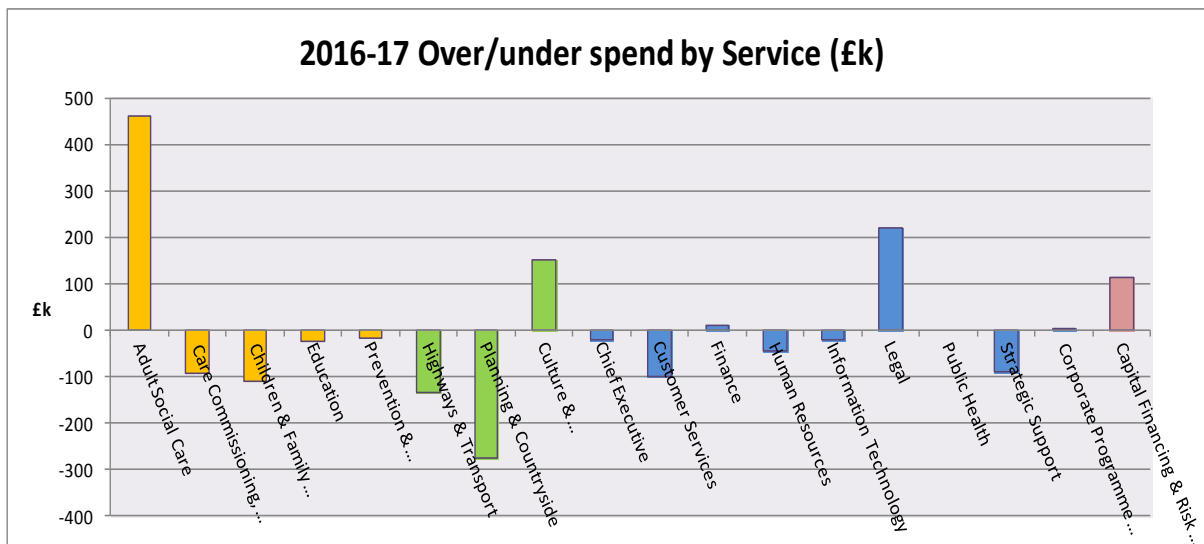
The Council set a net revenue budget of £121.2m for the 2016/17 financial year, funded from non ring-fenced funds comprising Council tax, Revenue Support Grant (RSG), retained business rates, and other amounts including various smaller grants. Ring-fenced funding forms part of the individual service budgets to which it relates. A decision was taken at the start of the year to reclassify the Department of Health funding as ring-fenced funding. As a result the funding was moved to form part of the Adult Social Care Service budget and the net Council budget reduced to £116.9m.



Savings and income generation plans were put in place to address the funding gap. The 2016/17 savings programme at £13.9m, was the largest the Council has faced. During the year, progress against savings is monitored and by year-end over 95% of this target was met with plans to achieve the ongoing target in full from 2017/18. Despite the economic and financial challenges, the Council has continued to deliver on the tasks that it set itself.

The overall revenue outturn for 2016/17 was an overspend of £7k, which represents 0.006% of the net revenue budget. This demonstrates the sound financial management and budgetary control in place across the Council and our efficiency and effectiveness in the use of resources available to the Council.

The final outturn was an excellent result in the context of having to manage significant pressures during 2016/17 within its “demand led” services, most notably in the area of adult social care. At quarter three, the Council faced the prospect of a £1m overspend, of which £800k was in the Adult Social Care Service. By year-end, the Adult Social Care overspend had reduced to £460k and underspends across the other services brought the overspend down to just £7k. The final outturn by Service is shown in the following graph and table.



Narrative Report

2016/17 Budget Outturn by Service Table 2	Current Net Budget 2016/17	Annual Net Expenditure 2016/17	Over/(under) spend 2016/17
	£000	£000	£000
Communities Directorate			
Dedicated Schools Grant (DSG)	(721)	(721)	0
Corporate Director - Communities	196	198	2
Adult Social Care	37,073	37,533	460
Care Commissioning, Housing & Safeguarding	3,930	3,837	(93)
Children and Family Services	14,313	14,202	(111)
Education	10,957	10,933	(23)
Prevention and Developing Community Resilience	744	728	(17)
Total Communities	66,493	66,709	217
Environment Directorate			
Corporate Director	171	162	(9)
Highways & Transport	5,437	5,301	(136)
Planning & Countryside	3,829	3,552	(277)
Culture & Environmental Protection	21,377	21,527	150
Total Environment	30,813	30,542	(271)
Resources Directorate			
Chief Executive	511	489	(22)
Customer Services	2,044	1,944	(100)
Finance	2,296	2,305	9
Human Resources	959	912	(47)
Information Technology	2,567	2,546	(22)
Legal	952	1,173	221
Public Health & Wellbeing	(98)	(98)	0
Strategic Support	2,961	2,870	(91)
Corporate Programme Management	133	133	0
Total Resources	12,326	12,275	(51)
Capital Financing & Risk Management			
Movement through Reserves	(1,869)	(1,869)	0
Capital Financing & Risk Management	9,053	9,166	113
Total Capital Financing & Risk Management	7,184	7,297	113
Total Outturn 2016/17	116,816	116,823	7

Communities Directorate

The Communities Directorate year-end revenue position was an overspend of £217k which is 0.3% against a budget of £66m. The overspend arose from a £460k overspend in Adult Social Care with savings in other services bringing the overall overspend down. Adult Social Care has seen increased complexity of client needs and upward cost pressures in commissioning services. Overall client numbers have not increased significantly during the year which is in part attributable to the success of preventative and demand management strategies.

Environment Directorate

The Environment Directorate year-end revenue position was an underspend of £271k, which is 0.9% of the total net budget of £31m. Culture and Environmental Protection overspent by £150k largely as a result of income pressures. Highways and Transport generated underspends from salaries and insurance and over achieved income targets in car parking. Planning and Countryside over achieved income targets in development control.

Resources Directorate

The Resources Directorate year-end revenue position was an underspend of £51k, which is 0.4% of the total net budget of £12m. Legal Services overspent by £221k due to increased costs as a result of some high profile cases and Judicial Reviews. All other services across the directorate generated underspends or a break even position.

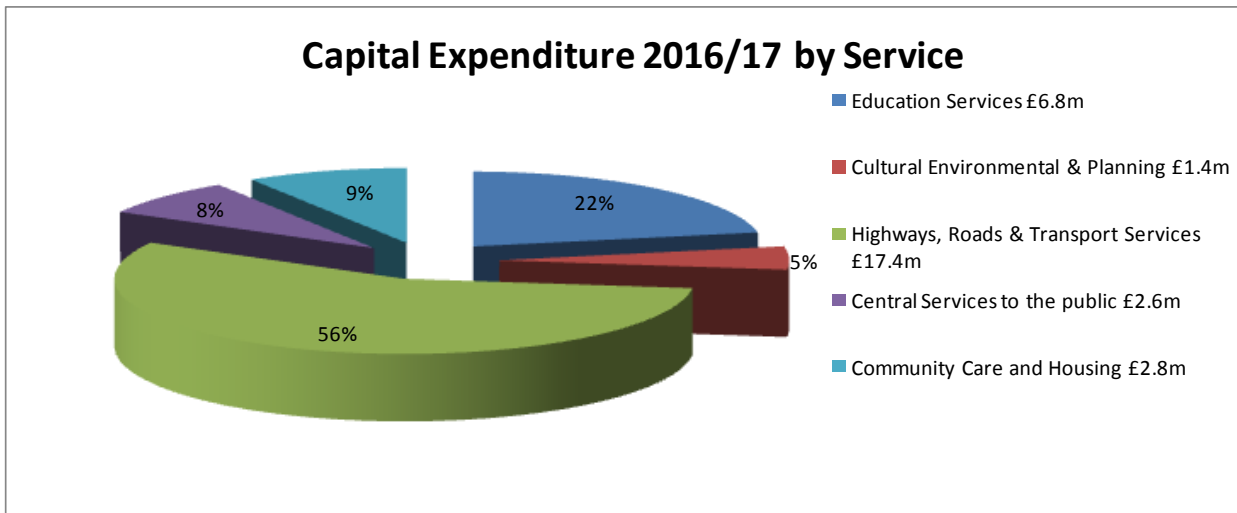
Capital Financing and Risk Management

Investment income was £113k below target due to the low level of interest rates available in the market during the year.

The information presented in the Comprehensive Income and Expenditure Statement for 2015/16 has been restated as CIPFA regulations 2016/17 now require the Council’s income and expenditure to be reported along management lines. The new headings are by Directorate and reflect the Council’s budget monitoring during the year. Reconciliation between the management accounts and the financial accounting at year-end is presented in Table 13 on page 53.

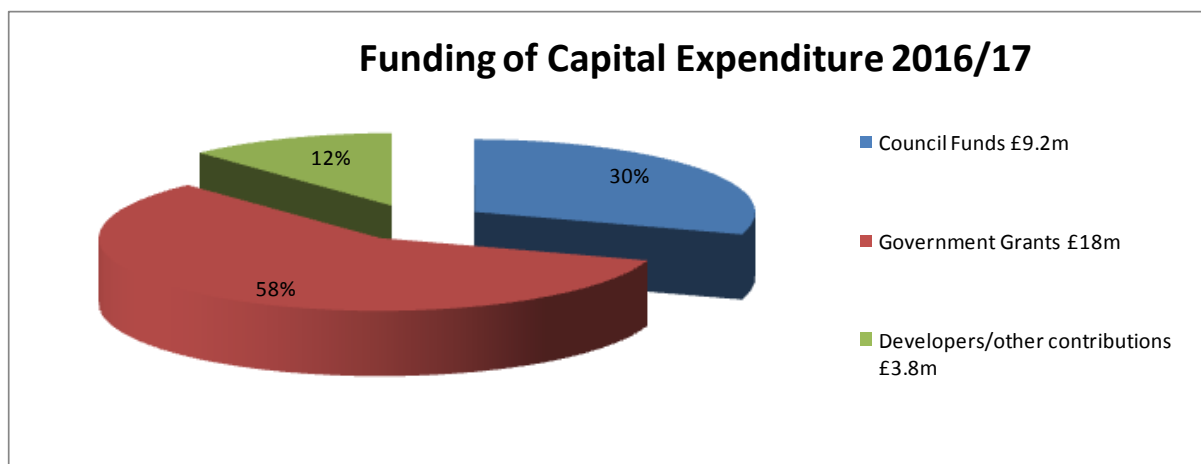
Capital Performance 2016/17

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 £31m capital was spent in 2016/17.



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 £31m 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. (No capital receipts were available to fund capital spend in 2016/17).



Plans for future Capital Investment

In March 2017 the Council approved a Capital Programme for the period 2017 to 2021 which allows for future investment in the following key areas:

- £66.7 million for new school places and improvements to school buildings;
- £50.0 million for maintenance and improvement of highways
- £1.5 million to facilitate the delivery of superfast broadband across West Berkshire;
- £11.8 million for occupational health equipment, home adaptations and supported living for vulnerable adults and looked after children and £1.9m to improve the supply of temporary accommodation for people at risk of becoming homeless;
- £3.8 million for maintenance and improvement of parks, open spaces, sporting and cultural facilities and £0.5m for grants to support community projects.

Borrowing in 2016/17

In 2016/17 the Council took out new long term loans of £10.7m from the Public Works and Loans Board (PWLB) to fund capital expenditure and made principal repayments to the PWLB of £4.2m, bringing its total PWLB loans balance to £132.6m. Payments of £0.57m 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 to £141.3m as at 31 March 2017 (including PFI debt but excluding repayments of PWLB and PFI debt due in 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 in cash balances 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 £13m outstanding at the 31 March 2017. Together with £6.1m repayments of PWLB and PFI debt which are due to be made in the financial year 2017/18, this makes a total short term borrowing balance of £19.1m.

The Council had a revenue budget of approximately £9.8m in 2016/17 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 interest on borrowing from the PWLB. This has enabled the Council to borrow to fund for the capital strategy at a very low rate. This also means that return on short term investments is also comparatively low. However, as this Council does not hold any long term investments, this is not a great significance compared to some other Council's 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 2016/17 (excluding schools' balances) was £7.8 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, 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

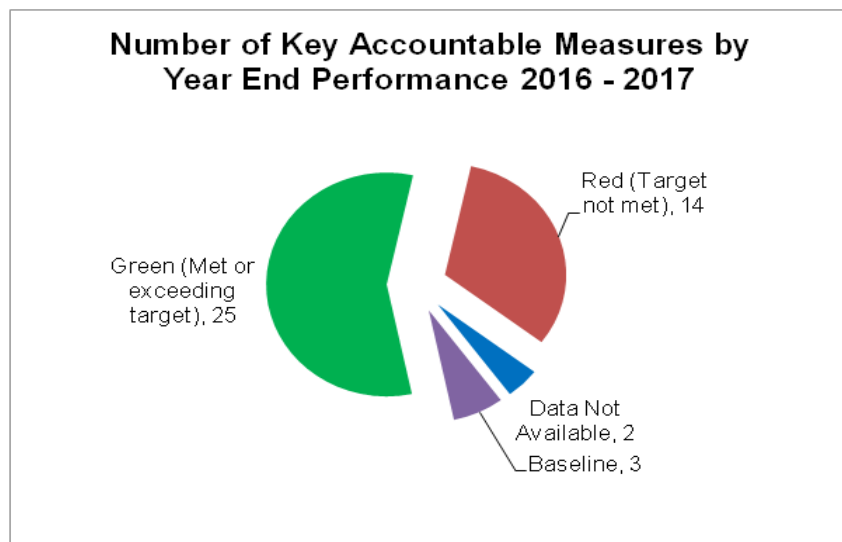
The Council's Performance Framework describes the approach used to monitor progress against the strategic and operational plans of the Council. At the most strategic level key accountable measures are used to monitor progress against the overarching aim to 'Become an even more effective council' and 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 projects
- Good at safeguarding children and vulnerable adults
- Support communities to do more to help themselves

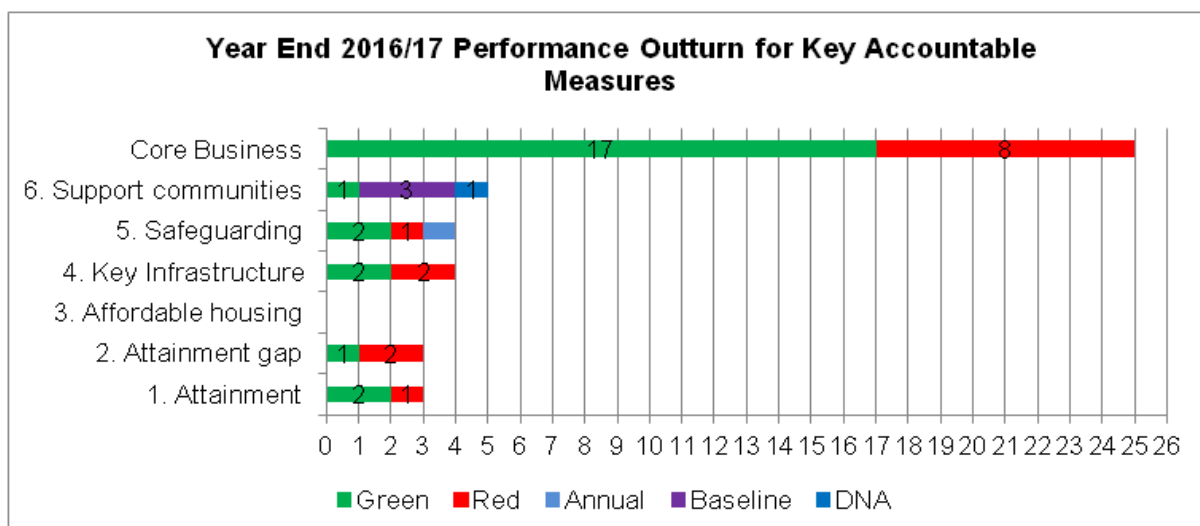
The Council has a formal quarterly process for measuring its performance against its strategic objectives. Further details are provided in the section below on KPIs. This is coupled with a solid track record of financial management and delivery of its strategy against a backdrop of significant financial 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 2017 a total of 44 key accountable measures formed part of the reporting framework which monitors the Council's progress against the high level strategic priorities in the Council Strategy. At the time of producing this report data was available for 39 measures and milestones. Of the remaining five measures, three were recorded as baseline for targets setting next year and for two, data was not available or not due for reporting.



Provisional end of year results were better than the expected targets for 25 measures (64%) and were (RAG) rated 'Green'. The remaining 14 measures (36%) have not achieved the end of year targets or deadlines and were RAG Rated 'Red'. This is below the previous year's overall result (81% of measures rated 'Green'). The following table highlights the performance achieved against each priority of the Council Strategy:



Final performance results, including the exception reports for the measures that have not achieved their targets, will be available as part of the End of Year Performance reports for the Executive.

Main Changes to the Core Statements and Significant Transactions in 2016/17

Fixed Assets

There were no material assets acquired during the year by the Council.

The freehold of the Starting Gate Public House was sold to the tenant for £0.2m and the Council's interest in a shared ownership former Council house was also sold for £0.13m. The Starting Gate was fully depreciated in the asset register and the Shared ownership property had a net book value of £4,000. Together with an overage payment of £0.19m received in respect of land sold in a prior year at Greenham Park, this amounts to a gain of £0.52m. The loss on disposal showing in the Comprehensive Income and Expenditure Statement was the result of two schools becoming Academies and their value being removed from our asset register.

Collection Fund

The Collection Fund deficit was £2,417k for the 2016/17 financial year (council tax £208k and non domestic rates £2,209k). 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 £317m. This reflects the value of pension 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 has reduced 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. The next review will be on the 31st March 2019.

Unusual charges or credits in the financial statements

There were no unusual charges or credits in the financial statements.

Significant changes in accounting policies

There were no significant changes in accounting policies in the year 2016/17.

Change to the Consolidated Income and Expenditure Statement.

Following a change in the Code of Practice on Local Authority Accounting in 2016/17 the Consolidated Income and Expenditure Statement for the net cost of services has followed the Council's internal budget monitoring process. Showing the income and expenditure split over the different directorates, rather than split over the Service Reporting Code of Practice. 2015/16 figures have been restated for a comparison.

Change in statutory functions

There were no significant changes in statutory functions in the year 2016/17.

Significant revenue contingencies or provisions including material write offs

There were no significant contingencies, provisions or write offs during the year 2016/17.

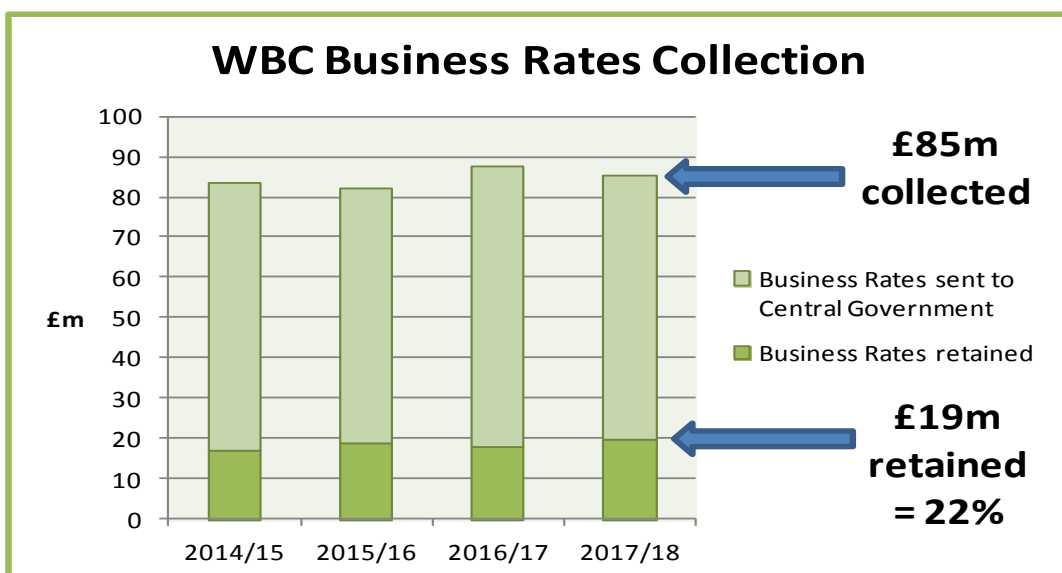
Material events after the Balance Sheet Date 2016/17

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

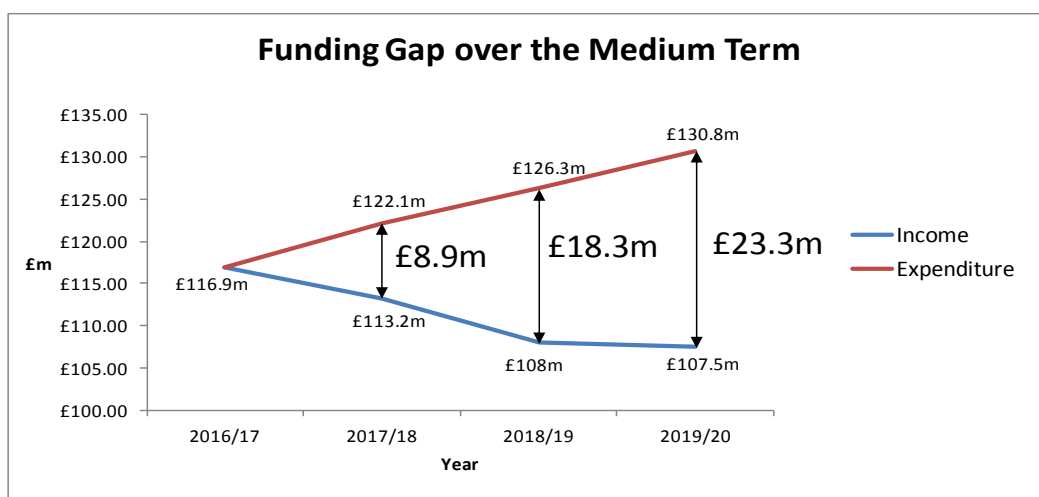
Economic climate and its impact on council services and future developments in service delivery

In October 2016, West Berkshire Council accepted a four year financial settlement offered by Government. Whilst this settlement commits the Council to a continued reduction in Government funding, it provides financial stability from 2016/17 to 2019/20 on which the Council can plan ahead and build other sources of income.

The Local Government Settlement announced the move to 100% retention of business rates by local authorities by 2019-20. However, the Local Government Finance Bill was dropped from the legislative programme ahead of the General Election. It is understood that there are no current plans to re-introduce the provisions of the Bill, which means that the 100% retention is effectively suspended with no current plans for its introduction. West Berkshire Council collects £85m in business rates, of which we retain £19m.



The Council's costs grow each year as a result of inflation, salary increases, changes to National Insurance and pension contributions, and service pressures arising from increased demand and new responsibilities. The forecast levels of funding available over the medium term, together with provision for budgetary increases, means that West Berkshire Council is facing a funding gap of £23.3m over the next three years. Council tax has been increased by 1.99% in 2017-18 raising £1.7m, with an additional 3% precept ring-fenced for adult social care raising £2.5m, leaving £4.7m to be met from savings or income generation. If there are no Council tax increases in 2018-19 and 2019-20, a further £14m of savings or income will need to be generated in those two years.



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. The key financial strategy to close the funding gap over the medium term will focus on innovation around service transformation and income generation. To drive this change, the Council has created a Corporate Programme containing a number of projects which will identify opportunities to transform services and implement changes that will deliver new income streams. Alongside this, Directors are looking at a range of solutions which will be presented to a Budget Board every six weeks. The areas of focus include digitisation, benchmarking, workforce redesign, demand management, exploring a range of alternative models for delivering services and working with partners and communities to deliver services in a different way. We are investing in commercial and residential property to generate new income streams and meet our statutory housing duties in a more cost effective way. Resources and staffing have been allocated in order to move this forward.

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. Planned Capital investment of £30.7m per year over the next five years will continue to ensure that core assets are maintained and protected. This includes approximately £22m per year expected to be funded from government grants and developers' contributions. The average level of the Council funded capital programme is planned to be £12.1m per year in 2017/18 and 2018/19, which includes investment in additional primary school places, temporary accommodation and superfast broadband for rural areas. Average Council funded capital spending is expected to reduce to approximately £5.8m from 2019/20 onwards.

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. The level of usable reserves the Council holds is reviewed as

part of the medium term financial planning. Consideration is given to the current financial standing of the Council, the funding outlook into the medium term and the financial risk environment we are operating in. The use of reserves is a one off solution and must be used prudently to ensure it does not undermine longer term budget sustainability. Usable reserves have been called on in 2016/17 to fund exit costs and to facilitate the transfer of John O'Gaunt School to an Academy. The Council has in the 2017-18 budget put £1.98m back into reserves, to mitigate against service specific risks and to ensure that the Council has the resources to pursue transformation plans outlined in the MTFS and to invest in strategies that will bring future benefits to the organisation.

Conclusion

The Council has managed to achieve a low overspend which 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. The Council has a track record of strong financial management. Historically budgets have been delivered without significant over or underspends. The Council's ability to manage within significant financial challenge is vital to its continuing success in delivering the Council Strategy. The forecast levels of funding available over the medium term, together with provision for budgetary increases and growing pressures mean that the Council will need to continue to find savings and increase income to close the funding gap. The Council will focus on innovation in service transformation and income generation in order to bring financial stability for the future. Capital investment will continue to ensure that core assets are maintained and protected. Reserves have been reviewed to ensure they are sufficient for the Council to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation.

Further information

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

Andy Walker, Head of Finance
West Berkshire Council
Market Street, Newbury, RG14 5LD
andy.walker@westberks.gov.uk
(01635) 519 433

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 2017 and up to the date of approval of the annual report and financial statements.

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;
- Ensuring that 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 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 Heads of Service;

- The work of the Governance and Ethics Committee;
- The work of Internal Audit;
- 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; and
- 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 2015/16

5.1 The following is an outline of the significant governance issues that were identified in preparing the 2015/16 AGS.

- 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.

5.2 The following measures were 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.

6 Significant Governance Issues identified in 2016/17

6.1 The following is an outline of the significant governance issues identified in 2016/17.

- The Council's proposals to invest significant sums in property to generate revenue present an opportunity to mitigate the ongoing financial pressures faced by the Council. Given the proposed scale of the investment the Council will need to ensure that there are effective governance arrangements in place around investments decisions and ongoing management of the investments.
- The Council's transformation programme aims to help the Council continue to deliver services within reducing resources. Given the potential scale of change arising from transformation, the Council will need to ensure that there are effective governance arrangements around proposed changes.

6.2 The following measures will be implemented during 2017/18:

- The Finance and Governance Group will review the Council's governance arrangements to ensure they are fit for purpose in the increasingly complex and challenging environment that the Council is working within.

Signed:

Nick Carter – Chief Executive

Graham Jones – Leader of the Council

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

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

28th September 2017

Statement of Responsibilities for the financial statements

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 2016/17 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; and
- To approve the Financial statements

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Council's financial statements. 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 2017).

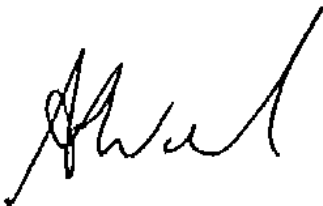
In preparing these financial statements, the Head of Finance has:

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

The Head of Finance has also:

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

The Financial statements present a true and fair view of the financial position of West Berkshire Council as at 31 March 2017.



Andy Walker
Head of Finance 31 May 2017

Expenditure and Funding Analysis Statement

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16			Table 05A	2016/17		
Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
71,463	26,372	97,835	Communities Directorate	66,709	22,830	89,539
32,442	14,056	46,498	Environment Directorate	30,541	15,764	46,305
12,729	1,457	14,186	Resources Directorate (including Support Services)	12,275	1,773	14,048
8,412	(8,400)	12	Capital Financing and Risk Management	7,298	(7,290)	8
125,046	33,486	158,532	Net Cost of Services	116,823	33,077	149,900
0	(135,038)	(135,038)	Other Income and Expenditure from the Expenditure and Funding Analysis	0	(124,458)	(124,458)
			Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services			
125,046	(101,552)	23,494		116,823	(91,381)	25,442

Comprehensive Income and Expenditure Statement

2015/16 restated			Comprehensive			2016/17		
Expenditure	Income	Net Expenditure	Income & Expenditure Statement		Expenditure	Income	Net Expenditure	
£000	£000	£000	Table 05B	Note	£000	£000	£000	
Net Expenditure on Continuing Services								
217,675	(119,840)	97,835	Communities Directorate		221,267	(131,729)	89,538	
71,639	(25,141)	46,498	Environment Directorate		72,758	(26,452)	46,306	
63,366	(49,180)	14,186	Resources Directorate including Support Services		63,915	(49,867)	14,048	
12	0	12	Capital Financing and Risk Management		8	0	8	
352,692	(194,161)	158,531	Net Cost of Services	7	357,948	(208,048)	149,900	
		270	(Gain) / loss on the disposal of non current assets	23c			6,180	
		3,710	Precepts to Parishes	41			3,865	
		142	Levies Payable				142	
		659	(Surpluses)/deficits on trading undertakings	26/27			482	
		4,781	Other Operating Expenditure				10,669	
	(432)		Interest Receivable	15a			(291)	
	1,272		(Surpluses) / deficits on investment properties	14a			(140)	
	8,116		Remeasurement of net defined benefit liability	38a			8,427	
	5,767		Interest Payable and similar charges	15a			6,008	
		14,723	Financing and Investment Income and Expenditure				14,004	
		178,035	Net Operating Expenditure				174,573	
	(81,133)		Income from Council Tax				(86,056)	
	(18,305)		Income from Business Rates				(19,272)	
	(25,914)		Non Ring Fenced Government Grants	34a			(17,111)	
	(29,189)		Capital Grants and Contributions	34a			(26,692)	
	(154,541)		Taxation and Non Specific Grant Income				(149,131)	
		23,494	Surplus or Deficit on Provision of Services				25,442	
	(18,092)		(Surplus) / deficit on revaluation of Fixed Assets	23b			(11,218)	
	(24,045)		Remeasurement of the net defined benefit liability/ (asset)	38a			64,940	
	(42,137)		Other Comprehensive Income & Expenditure				53,722	
	(18,643)		Total Comprehensive Income & Expenditure				79,164	

The 15/16 figures have been restated due to a change in the code of practice, this now states that Local Authorities in the net cost of services, can from 16/17 report in the same format as their reports to management. Previously the net cost of services followed the Service Reporting Code of Practice. 15/16 figures have been restated to help with compar

Balance Sheet

2015/16 £000	Balance Sheet Table 06	Note	2016/17	
			£000	£000
Property, Plant and Equipment				
205,486	Buildings	11a	190,572	
64,325	Land	11a	67,837	
151,067	Other	11a	161,705	
420,878				420,114
7,590	Investment properties	14b		7,412
428,468	Total Property, Plant and Equipment			427,526
122	Long Term Debtors			94
428,590	TOTAL LONG TERM ASSETS			427,620
Current Assets				
500	Short term investments	15a	6,500	
24	Inventories	17a	15	
17,998	Short term debtors	18	22,065	
3,218	Assets held for sale	11a	3,209	
994	Cash and cash equivalents	19	3,475	
22,734	TOTAL CURRENT ASSETS			35,264
451,324	TOTAL ASSETS			462,884
Current Liabilities				
(15,813)	Short term borrowing	15a	(19,108)	
(26,924)	Short term creditors	20	(32,823)	
(42,737)	TOTAL CURRENT LIABILITIES			(51,931)
	TOTAL ASSETS LESS CURRENT LIABILITIES			410,953
408,587				
Long term Liabilities				
(350)	Provisions	21	(153)	
(452)	Contributions deferred account		(236)	
(239,935)	Pension liability	38a	(317,317)	
(121,882)	Borrowings PWLB	16c	(127,048)	
(14,898)	PFI liability	37b	(14,293)	
(377,517)				(459,047)
31,070	TOTAL ASSETS LESS LIABILITIES			(48,094)
6,352	General Fund	10c	6,345	
2,780	Working Balances	10c	2,066	
12,018	Earmarked Reserves	10c	10,890	
25,838	Capital Reserves	12d	29,386	
46,988	Usable Reserves			48,687
224,017	Unusable reserves, exc Pensions	23		220,536
(239,935)	Pension Reserve			(317,317)
(15,918)	Total Unusable Reserves			(96,781)
31,070	TOTAL DEFICIT ON RESERVES			(48,094)

Movement in Reserves Statement

Movement in Reserves Statement 2016/17 Table 07A	Note	General	Capital	Capital Reserves	Reserves		Total Authority Reserves
		Fund	Receipts		Usable	Unusable	
		Balance	Reserve		£000	£000	
Balance as at 31 March 2016		21,221	169	25,598	46,988	(15,918)	31,070
Total Comprehensive Expenditure & Income		(25,442)	0	0	(25,442)	(53,722)	(79,164)
Adjustments required due to statutory accounting policies	9c	23,522	40	3,579	27,141	(27,141)	0
Increase / (Decrease) in Year		(1,920)	40	3,579	1,699	(80,863)	(79,164)
Balance as at 31 March 2017	10c / 12d / 23	19,301	209	29,177	48,687	(96,781)	(48,094)

Movement in Reserves Statement 2015/16 Table 07b	Note	General	Capital	Capital Reserves	Reserves		Total Authority Reserves
		Fund	Receipts		Usable	Unusable	
		Balance	Reserve		£000	£000	
Balance as at 31 March 2015		22,236	0	21,258	43,494	(31,067)	12,427
Total Comprehensive Expenditure & Income		(23,494)	0	0	(23,494)	42,137	18,643
Adjustments required due to statutory accounting policies	9/c	22,479	169	4,340	26,988	(26,988)	0
Increase / (Decrease) in Year		(1,015)	169	4,340	3,494	15,149	18,643
Balance as at 31 March 2016	10c / 23	21,221	169	25,598	46,988	(15,918)	31,070

The General Fund Balance includes Earmarked Reserves and Working Balances

Cash Flow Statement

2015/16 £000	Cash Flow Statement Table 08	Note	2016/17	
			£000	£000
	Operating Activities			
124,581	Taxation		125,478	
206,036	Grants		193,648	
941	Rents		1,005	
25,081	Sale of goods and rendering of service		31,766	
432	Interest received		291	
408	Other receipts from operating activities		(3)	
<u>357,479</u>	Cash inflows generated from operating activities			352,185
(145,420)	Cash paid to and on behalf of employees		(148,831)	
(40,024)	Housing benefit paid out		(39,906)	
(3,710)	Precepts paid		(3,861)	
(138,647)	Cash paid to suppliers of goods and services		(121,164)	
(5,767)	Interest paid		(6,008)	
(21,244)	Other payments for operating activities		0	
<u>(354,812)</u>	Cash outflows from operating activities			(319,770)
<u>2,667</u>	Net cash flows from operating activities	24		<u>32,415</u>
	Investing Activities			
(38,561)	Purchase of property plant and equipment		(31,035)	
(10,000)	Purchase of short and long term investments		(12,500)	
(41,964)	Other payments for investing activities		(154,600)	
169	Proceeds from sale of PPE and investment properties		532	
13,500	Proceeds from the short and long term investments		6,500	
42,334	Other receipts from investing activities		155,100	
<u>(34,522)</u>	Net cash flows from investing activities			(36,003)
	Financing Activities			
86,404	Cash receipts of short and long term borrowing		102,370	
263	Other receipts from financing activities		(262)	
(53,060)	Repayments of short and long term borrowing		(94,513)	
(758)	Other payments for financing activities		(532)	
<u>32,849</u>				7,063
<u>(1,673)</u>	Net cash flows from financing activities			<u>(28,940)</u>
<u>994</u>	Total			<u>3,475</u>
	Net increase/(decrease) in cash and cash equivalents			2,481
(1,945)				
2,939	Cash and cash equivalents at the beginning of the reporting period			994
<u>994</u>	Cash and cash equivalents at the end of the reporting period	19 / 25		<u>3,475</u>

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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 which summarise the Council's transactions for the 2016/17 financial year and its position at the year-end, 31 March 2017.

The Financial Statements for 2016/17 are prepared in accordance with the code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 Financial statements have been prepared on a 'going concern' basis.

There are no instances in the financial statements where the fundamental accounting concepts have not been followed. The Financial statements 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 2017 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. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified;

- Those that provide evidence of conditions that existed at the end of the reporting period. In this instance the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. In this instance, the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date when the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

III. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to understanding the Council's financial performance.

IV. 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
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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
- 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. Where debts may not be settled, the balance of the debtors is written down and a charge made to revenue for the income that might not be collected.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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.

V. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Authority'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. In the balance sheet, cash and cash equivalents are shown net of bank overdrafts that are payable on demand and form an integral part of the Authority's cash management strategy.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form part of the Authority's cash management.

VI. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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. Capital grants are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

A Business Improvement District (BID) scheme applies across the whole of the authority. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as principal under the scheme and accounts for income and expenditure incurred within the relevant services within the Comprehensive Income and Expenditure Statement.

The authority charges a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Council charges for and collects the levy, which is a planning consent. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement. CIL charges are largely used to fund capital expenditure. However a small proportion of the charges may be used to fund revenue expenditure.

VII. Charges to Revenue for Non – Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non - current 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 the losses 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.

VIII. 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.

IX. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the authority. 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. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These benefits are charged on an accruals basis to the appropriate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post Employment 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) administered by The Royal Borough of Windsor and Maidenhead.
- The NHS Pension Scheme, administered by NHS pensions.

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 Communities Directorate line in the Comprehensive Income and Expenditure Statement 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, likewise the liabilities for these benefits cannot be identified to the Authority. No liability for future payments of benefits is recognised in the Balance Sheet and the Resources Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme (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; allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - 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; credited or debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- 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 i.e. net interest expense for the Council - 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. This is charged to the Financing and Investment income and Expenditure Line of the Comprehensive Income and Expenditure Statement.
- 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.

These charges are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid into the Berkshire Pension Scheme, cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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 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.

X. Overheads and Support Services

The costs of overheads and support services are charged to the Resources Directorate in accordance with the authority's arrangements for accountability and financial performance.

XI. Investment Properties

Investment properties are those that are used solely to earn rental income or for capital appreciation. The definition does not apply if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be sold. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on

revaluation are posted to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line and results in a gain for the General Fund Balance. Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

XII. 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. The Council has two main Heritage Assets: the Berkshire Record Office Archives and the West Berkshire Museum Collections. 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.

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

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Fixed assets are initially valued at cost, comprising:

- The purchase price,
- Any costs attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

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 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.

Revaluation

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 for PPE are matched by credits to the Revaluation Reserve as unrealised gains. Exceptional increases might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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.

When decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain);
- When there is not a balance within the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Impairment

Assets are assessed at each year- end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain);
- When there is not a balance within the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement;
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

Componentisation

The code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately and componentised. Within the Council's asset portfolio there are a number of asset classes where componentisation will not be considered;

- Equipment as this is considered immaterial
- Infrastructure
- Asset classes which are not depreciated such as Land, Investment properties, Heritage assets, Community Assets, Surplus Assets and Assets Held for Sale.

The remaining assets which are contained within the operational portfolio are often of a specialised nature such as schools, leisure centres and libraries. The Council requires the valuers to provide component information for each asset which is then reviewed to assess if inclusion of different components will have a material impact on depreciation.

Where an item of Property Plant or Equipment is made up from 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 PPE 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.

Depreciation

In accordance with IAS 16, depreciation is provided for on all Fixed Assets with a finite useful life by the systematic allocation of their depreciable amounts over their useful lives.

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 qualified 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.

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is classified as an Asset Held for Sale. The asset is revalued immediately before reclassification. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to a non-current asset and valued at the lower of:

- Its carrying amount before they were classified as Held for Sale. The asset is adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, or
- Its recoverable amount at the date of the decision not to sell.

When an asset is disposed of or is decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land, net of statutory deductions and allowances) is payable to the Government up to a maximum ceiling. The balance of receipts is required to be credited to the Capital Receipts Reserve and can

only be used for new capital investments or set aside to reduce the underlying need to borrow.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

XIV. Inventories and Work in Progress

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

XV. 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 Comprehensive Income and Expenditure Statement and the relevant provision released from 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 Assets arise where an event has taken place that gives the Council a possible asset 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.

XVI. 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.

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. if the present values of the debt restructured has not changed significantly).

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 2017.

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 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 financial statements to the extent that provisions might be required or a contingent liability note is needed.

XVII. 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.

XVIII. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings element are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the specific assets.

The Council has not entered into any finance lease agreements, all the Council's leases are operating leases.

The Council as Lessee;

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 the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment; charges are made on a straight line basis over the life of the lease and in accordance with the terms of the lease.

The Council as Lessor;

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

XIX. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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.

The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, retirement and employee benefits. These do not represent usable resources for the Council.

XX. VAT

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT. VAT is reconciled and accounted for to HM Revenues and Customs on a monthly basis.

XXI. Collection Fund

The Collection Fund Statement is an agent's statement which reflects the statutory obligation in accordance with section 89 of the Local Government Finance Act 1988 for billing authorities to maintain a separate Collection Fund. The Collection Fund 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. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and Council tax belong to the bodies (i.e. major preceptors, the billing authority and the government).

XXII. Accounting for Council tax

While the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors.

The council tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. Revenue related to council tax shall be measured at the full amount receivable as they are non contractual, non exchange, transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from council tax payers belongs to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

XXIII. National Non-Domestic Rates (NNDR)

The NNDR income for the year credited to the Collection Fund is the accrued income for the year. Regulations determine when it should be released from the Collection Fund and paid out to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NNDR for the year from the National Non-Domestic Rates (NNDR) 1 return.

The NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the collection fund's accrued income for the year from the NNDR 3 return. Revenue relating to non-domestic rates shall be measured at the full amount receivable as they are non contractual, non exchange transactions and there can be no difference between the delivery and payment dates.

XXIV. Schools

The code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School standards and Framework Act 1998, as amended) lies with the local authority. The code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

XXV. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change and do not give rise to a prior period adjustment.

Notes to the Core Financial Statements

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(2) Accounting Standards issued not adopted

Under the code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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.

This applies to the adoption of the new or amended standards within the 2017/18 Code. There are no new standards in the 2017/18 Code which are likely to have a material impact on these 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 where necessary. 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 2017 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 2016 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 £1,200k 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 £250m.

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 2017, 620 appeals in respect of 440 properties remain outstanding with the Valuation Office. There has been a significant increase in the numbers of appeals, following the National Revaluation. A provision has been made for the estimated successes of future appeals for losses for the period to the end of March 2017, 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 £16.6m

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

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 2016/17. 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 2017 the Council had an outstanding balance of short term debtors totalling £22.1m. A review of the major areas of debt has led to an updated provision against doubtful debts. 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) Events after the Reporting Period

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

(7) Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The adjustments required due to statutory accounting policies are explained in Table 13 with the total showing in the Movement in Reserves Statement.

Notes to the Core Financial Statements

7a Adjustments between Funding and Accounting Basis

Adjustments between Funding and Accounting Basis 2016/17
Table 9

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Communities Directorate	14,495	2,410	5,925	22,830
Environment Directorate	16,541	1,302	(2,079)	15,764
Resources Directorate (including Support Services)	1,382	303	88	1,773
Capital Financing and Risk Management	0	0	(7,290)	(7,290)
Net Cost of Services	32,418	4,015	(3,356)	33,077
Other Income and Expenditure from the Expenditure and Funding Analysis	6,180	8,427	(139,065)	(124,458)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	38,598	12,442	(142,421)	(91,381)

Adjustments between Funding and Accounting Basis 2015/16
Table 10

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Communities Directorate	22,179	3,308	885	26,372
Environment Directorate	12,393	1,653	10	14,056
Resources Directorate (including Support Services)	710	768	(21)	1,457
Capital Financing and Risk Management	0	0	(8,399)	(8,399)
Net Cost of Services	35,282	5,729	(7,525)	33,486
Other Income and Expenditure from the Expenditure and Funding Analysis	270	8,116	(143,424)	(135,038)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	35,552	13,845	(150,949)	(101,552)

The adjustment for Capital Purposes column includes:

- Depreciation, impairment and revaluation gains and losses

Notes to the Core Financial Statements

- Other operating expenditure: Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Financing and investment income and expenditure: The statutory charges for capital financing i.e. the Minimum Revenue Provision are deducted from other expenditure as this is not chargeable under generally accepted accounting practice
- Taxation and non-specific grant income and expenditure: Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change to the Pensions Adjustments column includes the net change for the removal of pension contributions and the addition of IAS 19 Employee benefits pension related expenditure and income.

- For the services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

The Other Differences column shows the other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute

- For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7b Segmental Income

Income received on a segmental basis is analysed below:

Income received on a segmental basis: Table 11					
Services	2015/16		2016/17		Total
	Income from Services		Income from Services		
	£000	Total	£000	Total	
Communities Directorate					
Fees & Charges	(8,484)		(8,958)		
Grants	(101,616)		(102,271)		
Contributions & reimbursements	(2,747)		(12,939)		
Other income	(168)		(1)		
Financial account adjustments	(6,825)		(7,560)		
Total		(119,840)		(131,729)	
Environment Directorate					
Fees & Charges	(7,776)		(7,951)		
Grants	(2,637)		(2,557)		
Contributions & reimbursements	(1,645)		(2,595)		
Other income	(66)		0		
Financial account adjustments	(13,017)		(13,349)		
Total		(25,141)		(26,452)	
Resources Directorate					
Fees & Charges	(1,312)		(1,447)		
Grants	(46,709)		(46,287)		
Contributions & reimbursements	(755)		(874)		
Other income	(36)		(107)		
Financial account adjustments	(368)		(1,152)		
Total Income Analysed on a segmental basis		(49,180)		(49,867)	
Total of all Segments		(194,161)		(208,048)	

(8) Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

Table 12	2015/16	2016/17
Expenditure / Income	£000	£000
Expenditure		
Employee Benefits Expenses	63,762	66,794
Other Services Expenses	236,481	251,078
Support Services Expenses	12,298	9,879
Depreciation, Amortisation, Impairment	42,082	30,539
Interest Payments	5,767	6,008
Precepts and Levies	3,853	4,007
Remeasurement of net defined benefit liability	8,116	8,427
Gain on Disposal of Assets	270	6,180
Total Expenditure	372,628	382,912
Income		
Fees Charges and Other Service Income	(194,161)	(208,048)
Interest and Investment Income	(432)	(291)
Income from Council Tax, Non-Domestic Rates, District Rate Income	(99,438)	(105,328)
Government Grants and Contributions	(55,103)	(43,803)
Total Income	(349,134)	(357,470)
Surplus or Deficit on the Provision of Services	23,494	25,442

(9) Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

- 9a The General Fund Balance summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. The General Fund Balance includes earmarked reserves and Working Balances which have been set aside for specific items.
- 9b The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.
- 9c The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions but which have yet to be applied

Notes to the Core Financial Statements

to meet the expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2016/17				
Table 13	General Fund Balance £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from Revenue for the year calculated in accordance with statutory requirements.				
Pension Costs transferred to (or from) the Pensions reserve	12,442	0	0	12,442
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	2,216	0	0	2,216
Holiday Pay (transferred to the Accumulated Absences Reserve)	(800)	0	0	(800)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	41,838	0	0	41,838
Total adjustments to Revenue Resources	55,696	0	0	55,696
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(539)	604	0	65
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(5,342)	0	0	(5,342)
Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account)	(206)	0	0	(206)
Total Adjustments between Revenue and Capital Resources	(6,087)	604	0	(5,483)
Adjustments to Capital Resources				
Use of Capital Receipts Reserve to finance Capital Expenditure	676	(564)	0	112
Application of Capital Grants to finance Capital Expenditure	(26,763)	0	3,579	(23,184)
Total Adjustments to Capital Resources	(26,087)	(564)	3,579	(23,072)
Total Adjustments	23,522	40	3,579	27,141

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2015/16				
Table 14	General Fund Balance £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from Revenue for the year calculated in accordance with statutory requirements.				
Pension Costs transferred to (or from) the Pensions Reserve	13,845	0	0	13,845
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	120	0	0	120
Holiday Pay (transferred to the Accumulated Absences Reserve)	325	0	0	325
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	42,403	0	0	42,403
Total adjustments to Revenue Resources	56,693	0	0	56,693
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	169	0	169
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,910)	0	0	(4,910)
Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account)	0	0	0	
Total Adjustments between Revenue and Capital Resources	(4,910)	169	0	(4,741)
Adjustments to Capital Resources				
Use of Capital Receipts Reserve to finance Capital	0	0	0	0
Application of Capital Grants to finance Capital Expenditure	(29,304)	0	4,340	(24,964)
Total Adjustments to Capital Resources	(29,304)	0	4,340	(24,964)
Total Adjustments	22,479	169	4,340	26,988

(10) Movements in Usable Reserves:

- 10a 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.
- 10b Working Balances:** This balance represents resources used for cash flow purposes that are held for consumption in the following financial year.
- 10c Earmarked Reserves:** The amount shown for Earmarked reserves is a number of funds and balances where the amounts are held for specific future projects.

Notes to the Core Financial Statements

Movements in Earmarked Reserves

This table sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

Earmarked Reserves Table 15	Balance at 1 April 2015 £000	Transfers in 2015/16 £000	Transfers out 2015/16 £000	Balance at 31 March 2016 £000	Transfers in 2016/17 £000	Transfers out 2016/17 £000	Balance at 31 March 2017 £000
General Fund	6,437	0	(1,115)	5,322		(7)	5,315
Risk Fund	1,530	550	(1,050)	1,030			1,030
Total General Reserve	<u>7,967</u>	<u>550</u>	<u>(2,165)</u>	<u>6,352</u>	<u>0</u>	<u>(7)</u>	<u>6,345</u>
Total Working Balances	<u>2,233</u>	<u>2,424</u>	<u>(1,877)</u>	<u>2,780</u>	<u>1,967</u>	<u>(2,681)</u>	<u>2,066</u>
Schools Balances	5,120	5,452	(6,037)	4,535	5,486	(5,950)	4,071
Special Expenses	6	12	(8)	10	46	(45)	11
Self Insurance Fund	802	471	(323)	950	89	(331)	708
Long term commitment	1,133	25	(237)	921	26	(103)	844
Ex BCC Liabilities	273	0	(273)	0	0	0	0
Specific Earmarked Reserves	3,725	5,614	(4,129)	5,210	2,787	(3,271)	4,726
Waste Management Strategy	977	36	(550)	463	67	0	530
Total Earmarked Reserves	<u>12,036</u>	<u>11,610</u>	<u>(11,557)</u>	<u>12,089</u>	<u>8,501</u>	<u>(9,700)</u>	<u>10,890</u>
Total General Fund	<u>22,236</u>	<u>14,584</u>	<u>(15,599)</u>	<u>21,221</u>	<u>10,468</u>	<u>(12,388)</u>	<u>19,301</u>

Notes to the Core Financial Statements

School Balances

School Balances 2016/17					
Table 16	Nursery	Primary	Secondary	Special	Totals
	£000	£000	£000	£000	£000
Opening balances	193	2,808	32	1,502	4,535
Transfers to Academies	0	(110)	850	0	740
Restated balances	193	2,698	882	1,502	5,275
Movement	30	(565)	(278)	(391)	(1,204)
Closing balances	223	2,133	604	1,111	4,071
Representing					
Underspent	223	2,341	604	1,111	4,279
Overspent	0	(208)			(208)
Net balance	223	2,133	604	1,111	4,071

School Balances 2015/16					
Table 17	Nursery	Primary	Secondary	Special	Totals
	£000	£000	£000	£000	£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

These tables include all school balances for each sector - revenue and capital. Special schools also include the balances of the two pupil referral units.

If schools underspend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31 March 2017 Schools held total balances of £4,071k (2015/16 restated: £5,275k).

The £4,071k (2015/16 restated: £5,275k) is an amalgamation of unspent and overspent balances, of which £4,279k is the unspent (surplus) and £ (208) k is the overspent (deficit) (2015/16 restated: £5,525k and £ (250) k respectively). Eleven schools closed with an overall deficit balance (2015/16 restated: four).

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. Six schools have a year-end surplus of greater than 10%.

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.

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.

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.

Ex BCC liabilities: represents the allocation to West Berkshire Council of ex Berkshire County Council (BCC) provisions, mainly relating to insurance matters.

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.

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.

(11) Property, Plant and Equipment

- 11a** 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.

Notes to the Core Financial Statements

Movements in Property, Plant & Equipment & Investment Properties		Investment					Assets held		TOTAL
2016/17	Land & Buildings	Plant & Equipment	Infrastructure Assets	Community Assets	properties Assets	Sub for sale	held	TOTAL	
Table 18	£000	£000	£000	£000	£000	Total	£000	£000	
Valued at Current value									
Book Value @ start of year	307,214	25,314	207,440	13	7,590	547,571	3,218	550,789	
Revaluations	10,551	0	0	0	0	10,551	0	10,551	
Revaluation Investment Properties	0	0	0	0	(214)	(214)	0	(214)	
Impairments	(3,841)	0	0	0	0	(3,841)	0	(3,841)	
Reclassifications	(9)	0	0	0	9	0	0	0	
Additions	5,871	2,920	17,288	0	27	26,106	0	26,106	
Disposals re transfer to Academies	(9,454)	0	0	0	0	(9,454)	0	(9,454)	
Disposals	(55)	0	0	0	0	(55)	(9)	(64)	
Book Value @ end of year	310,277	28,234	224,728	13	7,412	570,664	3,209	573,873	
Depreciation @ start of year	(37,416)	(16,972)	(64,715)	0	0	(119,103)	0	(119,103)	
Charged to services	(17,416)	(2,889)	(6,682)	0	0	(26,987)	0	(26,987)	
On revalued assets	666	0	0	0	0	666	0	666	
Depreciation on impaired assets	839	0	0	0	0	839	0	839	
Disposals re transfer to Academies	1,447	0	0	0	0	1,447	0	1,447	
On disposal	0	0	0	0	0	0	0	0	
Balance @ end of year	(51,880)	(19,861)	(71,397)	0	0	(143,138)	0	(143,138)	
Net Book Value @ 31/03/17	258,397	8,373	153,331	13	7,412	427,526	3,209	430,735	
Net Book Value @ 31/03/16	269,798	8,342	142,725	13	7,590	428,468	3,218	431,686	
Revaluation reserve									
Opening	(92,482)	0	0	(16)	(1,123)	(93,621)	(2,046)	(95,667)	
Movement	(3,356)	0	0	9	0	(3,347)	0	(3,347)	
Closing Balance 31/03/16	0	0	0	0	0	0	0	0	
Assets under Construction									
Opening Balance @ start of year	0	0	0	0	0	0	0	0	
Movement in year	0	0	0	0	0	0	0	0	
Closing Balance @ end of year	0	0	0	0	0	0	0	0	

Note

The land & buildings figure on the balance sheet (table 08) comprises L&B as well as community assets totals.

The balance listed as 'other' (table 08) includes the plant & equipment and infrastructure totals

The Authority carries out a rolling programme that ensures all property, plant and equipment required to be measured at current value is revalued at least every five years. 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.

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 two assets held for sale which are:

- the former Pound Lane Depot (expecting to complete sale in 2017/18);
- and the former Newbury Day centre land (expecting to sell in 2018/19).

Notes to the Core Financial Statements

Movements in Property, Plant & Equipment & Investment Properties		Investment					Assets		TOTAL
		Land & Buildings	Plant & Equipment	Infrastructure Assets	Community Assets	properties Assets	Sub for sale	held	
2015/16		£000	£000	£000	£000	£000	Total	£000	£000
Table 19									
Valued at Current value									
Book Value @ start of year	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	
Investment Properties Revaluation									
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 @ end of year	307,214	25,314	207,440	13	7,590	547,571	3,218	550,789	
Depreciation @ start of year	(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 @ end of year	(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	(50,668)	0	0	(16)	(4,595)	(93,621)	(183)	(95,667)	
Assets under Construction									
Opening Balance @ start of year	0	0	0	0	0	0	0	0	
Additions									
Closing Balance @ end of year	0	0	0	0	0	0	0	0	

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.

Investment properties are revalued annually whilst all other assets are included at current value and revalued at intervals of not more than five years.

11b 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 being £10.5m for building and £2.6m for land.

11c Non-operational Property, Plant and Equipment (surplus assets):
The Council does not have any surplus assets.

(12) Capital Expenditure:

The total capital expenditure for the year was £31,035k (2015/16: £38,562k).

12a Where ever 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 £10,542 k (2015/16: £12,975k).

12b Capital Expenditure Financing

2015/16 £000	Capital Expenditure Financing Table 20	2016/17 £000
163,747	Opening Capital Financing Requirement	172,580
	Capital Investment	
29,300	Property, Plant and Equipment	26,106
0	Investment Properties	0
0	Assets under construction	0
9,262	Revenue Expenditure Funded from capital under statute	4,929
	Sources of Finance	
0	Capital receipts	0
(19,601)	Government Grants	(17,990)
0	Other Grants	0
(76)	Revenue funding	(206)
(317)	Other internal balances and funds	(424)
(5,095)	Developers/other contributions	(3,859)
(4,640)	MRP/Loans Principal Repaid	(5,342)
<u>172,580</u>	Closing Capital Financing Requirement	<u>175,794</u>
	Explanation of Movements in Year	
0	Increase in underlying need to borrowing (supported by government financial assistance)	0
8,563	Increase in underlying need to borrowing (unsupported by government financial assistance)	3,214
0	Assets acquired under finance leases	0
0	Assets acquired under PFI/PPP contracts	0
<u>8,563</u>	Increase/ (decrease) in capital financing requirement	<u>3,214</u>

12c Accounting Treatment of Borrowing Costs

All the Council's borrowing costs are met from its annual revenue budget (i.e. they are not capitalised). Interest paid on outstanding borrowing is charged to the Income and Expenditure account. Principal repayments are offset against the balance of borrowing shown on the balance sheet.

12d 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.

Capital Grants and Contributions	Opening Balance 31/03/16 £000	New Capital Grants and Contributions Received £000	Capital Grants repaid to funding body & Contributions Written off £000	Capital Grants and Contributions passed to other organisations £000	Amount applied to fund Capital Expenditure £000	Closing Balance 31/03/17 £000
Table 21						
Section 106, CIL & Other Contributions	(16,964)	(4,778)	4	1,009	3,867	(16,862)
Capital Grants (not including grants with conditions)	(8,705)	(21,914)	0	418	17,886	(12,315)
Total Grants & Contributions	(25,669)	(26,692)	4	1,427	21,753	(29,177)
Capital Grants with Conditions	(985)	(2,330)	0	0	960	(2,355)

The opening balance of S106,CIL and Other Contributions has been amended from the figure published for 2015/16 to include £71k contributions from internal balances included in Usable Capital Reserves.

CIL (Community Infrastructure Levy) is a levy on development projects, this helps to fund the cost of infrastructure resulting from the development.

In addition the Council received capital receipts of £532k in 2016/17 (£169k in 2015/16). A capital receipt of £216k from a property sold in a prior year which was previously held as deferred income was reclassified as a useable capital receipt, because the conditions applying to the use of this sum have now expired. However £144k of receipts from 2015/17 has been reclassified as deferred income as this is a deposit paid on the sale of an asset which has not yet been completed.

No capital receipts were used to fund capital expenditure in 2016/17, but £8k was set against the cost of disposal of assets and £556k was used to fund the cost of transforming services under the flexibility over use of capital receipts announced by HM Treasury in December 2015. This leaves a balance of £209k useable capital receipts as at 31 March 2017 and total capital reserves of £29.386m

(13) 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.

13a 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.

13b 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 is supported by 46 volunteers who have given over six and a half thousand hours helping conserve and log the collection at our collection store as well as helping with new exhibitions and the day to day operations in the Museum

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 2016/17 the museum welcomed 22,342 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, The Rotary club and Kennet District Scouts to produce 13 new exhibitions, most notably the new permanent exhibition "Lives and Landscape, which tells the story of West Berkshire, from the rocks under our feet to the stories of the people who have lived here, Our early unnamed ancestors, well known characters like Jack of Newbury and our most recent families, together they have created the towns and villages, roads and canals,

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fields and farms, industries, pastimes and organizations that we know today. The exhibition looks at historic local events which have had international resonance such as the Greenham common protests and national events such as the battles of Newbury which are featured alongside quieter pursuits such as horse racing and theatre. The collections were also utilised in working with local schools throughout West Berkshire and to inspire Family Friendly and adult workshops at the museum.

(14) Investment Properties

14a Rental income from 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.

2015/16 £000	Surpluses / deficits on Investment Properties Table 22	2016/17 £000
(408)	Rental income from Investment Properties	(405)
1,671	(Upward) / downward revaluations	257
9	Direct operating expenses arising from investment properties	8
<u>1,272</u>	Net Income	<u>(140)</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.

14b Investment Properties Fair Value

The following table summarises the movement in the fair value of investment properties over the year.

2015/16 £000	Investment Properties Table 23	2016/17 £000
8,811	Balance at start of year	7,590
0	Additions	27
	Other changes	
(567)	Net gains/losses from fair value adjustments	(214)
(709)	To/(from) Property, Plant & Equipment	9
55	Other changes	0
<u>(1,221)</u>	Total other changes	<u>(205)</u>
<u>7,590</u>	Balance at end of year	<u>7,412</u>

14c Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally by Wilks Head & Eve a London based firm of Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

(15) 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

15a Financial Instrument balances

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

Financial Instrument Balances	Long Term		Short Term	
	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000
Table 24				
Cash and Investments				
Loans and receivables	0	0	500	6,500
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	994	3,475
Total Investments	0	0	1,494	9,975
Debtors				
Financial assets carried at contract amount	0	0	11,403	14,098
Borrowings				
Financial Liabilities at amortised cost	136,780	141,341	15,813	19,108
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	136,780	141,341	15,813	19,108
Creditors				
Financial Liabilities carried at Contract Price	0	0	20,522	23,901

Notes:

Interest paid on long term borrowing was £5,042k (2015/16: £4,767k)

Interest paid on the credit arrangement within the PFI contract was £944k (2015/16: £977k)

Interest paid on short term borrowing was £22k (2015/16: £23k)

Total interest paid £6,008k (2015/16: £5,767k)

Interest earned on investment was £290k (2015/16: £432k)

Notes to the Core Financial Statements

15b Fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is:

31/03/16		Fair value of liabilities and assets Table 25	31/03/17	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
Fair value of liabilities carried at amortised cost				
20,505	32,964	PWLB Maturity Loans	20,505	35,341
101,377	130,841	Other PWLB Loans > 1 Year	106,543	142,608
14,898	14,898	Other Long term Borrowing	14,293	14,293
15,813	15,813	Short term borrowing	19,108	19,108
152,593	194,516	Total Financial Liabilities	160,449	211,350
Fair value of assets carried at amortised cost				
994	994	Cash and cash equivalents	3,475	3,475
500	500	Banks and building society deposits > 3 month:	6,500	6,500
1,494	1,494	Total Financial assets	9,975	9,975

Notes

Short Term Borrowing

Short term borrowing at the 31 March 2017 consisted of £13m cashflow loans of less than 1 year (2015/16: £11m); £5.5m principal due to be repaid on PWLB annuity loans within one year (2015/16: £4.2m), plus £605k principal due to be repaid within one year on the credit arrangement within the PFI waste management contract (2015/16: £570k).

Long Term Borrowing

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

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 2017 consists of external investments due within three months, cash and deposits in bank call accounts and money market funds

(16) 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 Core Financial Statements

The authority's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

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. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

16a Investments

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2017 and shows that all deposits outstanding as at 31 March 2017 met the Council's credit rating criteria at that date:

Investments Table 26 Counter party	Credit rating criteria met		Balances invested as at 31/03/17				Total £000
	When placed	On 31/03/17	< 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
Building Societies	N/A	N/A	0	2,000	2,000	2,000	6,000
Call Accounts and Money Market Funds	Yes	Yes	296	0	0	0	296
Total			296	2,000	2,000	2,500	6,796

Note

£296k held in call accounts and money market funds at 31 March 2017 is included in Table 32 cash and cash equivalents.

Investments Table 27 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
Building Societies	N/A	N/A	0	0	0	0	0
Call Accounts and Money Market Funds	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 Table 32 cash and cash equivalents.

16b Doubtful receivables

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

Balance 31/03/16 £000	Bad Debt Provision £000	Invoiced Receivables Doubtful Debt Provision Table 28	Bad Debt Provision %	Balance 31/03/17 £000	Bad Debt Provision £000
3,234	32	Current	1%	3,993	40
1,527	92	Over 30 days	6%	2,330	140
190	19	Over 60 days	10%	525	53
92	23	Over 90 days	25%	209	52
265	133	Between 120 to 365 days	50%	509	255
177	159	Between 1 and 2 years	90%	357	321
133	120	Between 2 and 3 years	90%	202	182
190	190	Earlier years	100%	375	375
<u>5,808</u>	<u>768</u>			<u>8,500</u>	<u>1,418</u>

Deferred Payment Agreements of £1,200k (2015/16: £1,195k) 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.

16c 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):

Notes to the Core Financial Statements

31/03/16 £000	Liquidity Risk Table 29	31/03/17 £000
Loans outstanding		
121,882	PWLB loans for more than one year	127,048
14,898	Other Long Term PFI Borrowing	14,293
15,813	Temporary Borrowing	19,108
<u>152,593</u>	Total	<u>160,449</u>
15,813	Less than 1 year	19,108
0	Between 1 & 2 years	67
2,680	Between 2 & 5 years	5,264
10,130	Between 5 & 15 years	12,428
123,970	More than 15 Years	123,582
<u>152,593</u>	Total	<u>160,449</u>

16d 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 2017, the Council had no financial loan instruments with variable rates of interest.

(17) Inventory and Work in Progress

17a Inventory: goods and materials charged to revenue, which have not been used by the end of year, totaled £15k (2015/16: £24k). This stock is carried forward to be charged in the year it is used.

Notes to the Core Financial Statements

17b Contractual commitments: on major capital schemes at the 31 March 2017 were:

Estimated commitments at 31/03/16 £000	Capital commitments Table 30	Estimated contract cost at 31/03/17 £000	Contract payments		Estimated commitments at 31/03/17 £000
			prior to 01/04/16 £000	within 2016/17 £000	
74	Little Heath School	2,962	2,888	0	74
22	Lambourn Primary School	897	871	26	0
1,161	The Willows School	2,563	1,350	1,213	0
43	Kennet Valley Primary School	1,234	1,174	60	0
716	Spurcroft Primary School Expansion	2,550	1,615	903	32
30	John Rankin Junior School Extension	1,170	1,141	25	4
71	Purley Infants	640	569	40	31
15	John O'Gaunt School Modernisation	619	604	15	0
11	Brookfields Special School Post 16 Expansion	709	698	11	0
522	ASD Secondary Unit at Trinity School	644	128	516	0
44	Newbury Museum Redevelopment	1,728	1,685	43	0
1,500	Superfast Berkshire Phase 1	4,610	3,110	0	1,500
2,950	Superfast Berkshire phase 2 Lot 5	3,734	0	0	3,734
0	Superfast Berkshire phase 2 Lot 7	415	0	378	37
<u>7,159</u>		<u>24,475</u>	<u>15,833</u>	<u>3,230</u>	<u>5,412</u>

(18) Debtors

These represent income due within one year:

31/03/16 £000	Debtors Table 31	31/03/17 £000
2,592	Central Government	3,373
1,301	Local Government	1,280
483	NHS	210
22	Academy Schools	56
4,625	Collection Fund	5,052
2,243	Payments in Advance	1,811
9,597	Other Debtors	12,552
20,863	Total Debtors	24,334
(2,865)	less provision	(2,269)
17,998	Total Debtors	22,065
9	Local Government	3
1	NHS	0
10	Academy Schools	13
2,223	Other Payments in Advance	1,795
2,243	Total Payments in Advance	1,811

(19) Cash and cash equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31/03/16 £000	Cash & Cash Equivalents Table 32	31/03/17 £000
2,066	Cash held by the Authority	1,798
(1,853)	Bank current accounts	1,381
781	Short Term Deposits	296
994	Total	3,475

Bank current account figures for 31 March 2016 and 31 March 2017 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 2017 are in the Goldman Sachs Money Market Fund £128k (2015/16: £370k), HBOS Deposit Account £112k (2015/16: £257k) and Santander Deposit Account £56k (2015/16: £154k).

Notes to the Core Financial Statements

(20) Creditors

Creditors are payments the Council owes and are due to be paid in the short term:

31/03/16 £000	Creditors Table 33	31/03/17 £000
2,125	Central Government	2,503
441	Local Government	469
436	NHS	234
40	Academy Schools	36
807	Collection Fund	1,160
3,470	Receipts in Advance	5,259
19,605	Other creditors	23,162
26,924	Total Creditors	32,823
Receipts in Advance		
1,556	Central Government	1,686
84	Local Government	92
106	NHS	438
19	Academy Schools	17
1,705	Other Receipts in Advance	3,026
3,470	Total Receipts in Advance	5,259

(21) Provisions

Provisions Table 34	Balance 31/03/16 £000	Arising in Year £000	Payments in Year £000	Balance 31/03/17 £000
Crookham (extraction of minerals)	9	0	0	9
Provision for liabilities	341	10	(207)	144
Total Provisions	350	10	(207)	153

(22) Usable Reserves

Movements in the Council's usable reserves are now detailed in the Movement in Reserves Statement.

(23) Unusable Reserves

31/03/16 £000	Unusable Reserves Table 35	31/03/17 £000
(2,705)	Accumulated Absences Account	(3,506)
95,667	Revaluation reserve	99,014
134,530	Capital Adjustment Account	126,287
(239,935)	Pension Reserve	(317,317)
(3,475)	Collection Fund	(1,259)
<u>(15,918)</u>	Total Unusable Reserves	<u>(96,781)</u>

23a 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.

23b 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.

2015/16 £000	Revaluation Reserve Table 36	2016/17 £000
<u>82,169</u>	Opening Balance	<u>95,667</u>
22,673	Upward revaluations of assets	13,262
(4,581)	Impaired assets	(2,044)
18,092	Surplus or (deficit) on revaluation of Fixed Assets	11,218
0	Transfer between Reserves	298
(1,244)	Sold assets	(42)
0	Academy Schools removed	(1,325)
(3,350)	Depreciation in year	(6,802)
<u>(4,594)</u>		<u>(7,871)</u>
<u>95,667</u>	Closing Balance	<u>99,014</u>

23c 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

Notes to the Core Financial Statements

depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

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. The Account also contains accumulated gains and losses on investment properties.

2015/16 £000	Capital Adjustment Account Table 37	2016/17 £000
143,525	Opening Balance	134,530
0	Transfer between Reserves	(298)
76	Revenue contribution to capital	206
19,803	External funding of new capital assets	18,364
4,910	Minimum Revenue Provision / Loans Principal	5,342
5,208	External funding of REFCUS	3,178
(9,262)	REFCUS Assets charged	(4,929)
(24,015)	Depreciation	(26,987)
3,350	Historic cost depreciation adjustment	6,802
(1,538)	Write out asset values on disposal	(8,071)
1,243	Revaluation reserve re sold assets	1,367
34	Sale Adjustment	0
(8,246)	Impaired assets	(3,003)
(558)	Revaluations Investment Properties	(214)
134,530	Closing Balance	126,287

23d 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.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

23e Collection Fund Adjustment Account: This account shows the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Notes to the Core Financial Statements

2015/16 £000	Council Tax Adjustment Account Table 38	2016/17 £000
227	Opening Balance	1,121
894	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	(944)
1,121	Closing Balance	177

2015/16 £000	NNDR Adjustment Account Table 39	2016/17 £000
3,368	Opening Balance	2,354
(1,014)	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	(1,272)
2,354	Closing Balance	1,082

(24) General Fund Deficit Reconciliation to Revenue Activities Net Cash Inflow

2015/16 £000	Net Cashflow Table 40	2016/17 £000
1,615	General Fund (Surplus) / Deficit	7
	Non Cash Transactions	
12,949	Contribution to/(from) Reserves	30,567
	Items on an accruals basis	
(8)	(Increase)/Decrease in Stock	9
(3,205)	(Increase)/Decrease in Debtors	(4,462)
(8,684)	Increase/(Decrease) in Creditors	6,294
2,667	Items classified outside Revenue Activities	32,415
2,667	Net cashflows from operating activities	32,415

Notes to the Core Financial Statements

(25) Cash flow Reconciliation to Balance Sheet

Cash flow reconciliation Table 41	31/03/16 £000	Movement £000	31/03/17 £000
Short Term Borrowing	(15,813)	(3,295)	(19,108)
Borrowings PWLB	(121,882)	(5,166)	(127,048)
PFI Liability	(14,898)	605	(14,293)
Total	(152,593)	(7,856)	(160,449)
Temporary Investments	500	6,000	6,500
Cash and cash equivalents	994	2,482	3,475

(26) 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:

2015/16			Trading Operations	2016/17		
Expenditure £000	Income £000	(Surplus)/ Deficit £000	Table 42	Expenditure £000	Income £000	(Surplus)/ Deficit £000
8,992	(8,739)	253	External Trading Accounts	1,582	(1,574)	8
10,023	(10,388)	(365)	Internal Trading Accounts	9,374	(9,751)	(377)
19,015	(19,127)	(112)	Net (surplus) / deficit	10,956	(11,325)	(369)

(27) Surpluses / Deficits on Trading Undertakings

Other Operating Expenditure Trading		
Table 43	2015/16 £000	2016/17 £000
External Trading Accounts		
Net Deficit on Trading Operations	253	8
Support Services charged to Trading Operations	232	86
Capital charges (depreciation, impairment)	40	419
Net deficit charged to Other Operating Expenditure	525	513
Internal Trading Accounts		
Net Surplus on Trading Operations	(365)	(377)
Support Services charged to Trading Operations	392	282
Capital charges (depreciation, impairment)	107	64
Net deficit charged to Other Operating Expenditure	134	(31)
Net deficit	659	482

(28) Agency Services

The Authority provides payroll services for a number of after school clubs and Thatcham Town Council.

Agency Services		
Table 44	2015/16 £000	2016/17 £000
Expenditure incurred in providing payroll services	7	5
Management fee payable	7	5
Net surplus arising on the agency arrangement	0	0

Notes to the Core Financial Statements

(29) Pooled Budgets

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, West Berkshire Council. The aim of the partnership is to improve the integration of health and social care community equipment services to meet user need.

2015/16 £000	Berkshire Community Equipment Service Table 45	2016/17 £000
Funding provided to the pooled budget		
(661)	West Berkshire	(726)
(4,533)	Berkshire clinical commissioning groups	(4,876)
(2,070)	Other unitary authorities	(2,063)
<u>(7,264)</u>	Total income	<u>(7,665)</u>
Expenditure met from the pooled budget		
661	West Berkshire	726
4,533	Berkshire clinical commissioning groups	4,876
2,070	Other unitary authorities	2,063
<u>7,264</u>	Total expenditure	<u>7,665</u>

(30) Members' Allowances

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

2015/16 £000	Members' Allowances Table 46	2016/17 £000
510	Salaries	517
17	National Insurance	18
1	Pensions	0
2	Training	2
0	Employee Expenses	0
22	Car Allowance	15
2	Members' Expenses	4
<u>554</u>		<u>556</u>

(31) Officers' Remuneration

31a Exit packages

The Council terminated the contracts of a number of employees in 2016/17. 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 Table 47	2015/16				2016/17			
	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	16	1	17	125	28	4	32	198
£20,000 - £39,999	2	0	2	53	11	0	11	288
£40,000 - £59,999	0	0	0	0	1	0	1	40
£60,000 - £79,999	0	0	0	0	1	0	1	67
	<u>18</u>	<u>1</u>	<u>19</u>	<u>178</u>	<u>41</u>	<u>4</u>	<u>45</u>	<u>593</u>
SCHOOLS								
Up to £19,999	25	3	28	178	14	9	23	142
£20,000 - £39,999	2	1	3	82	0	1	1	38
	<u>27</u>	<u>4</u>	<u>31</u>	<u>260</u>	<u>14</u>	<u>10</u>	<u>24</u>	<u>180</u>

31b Remuneration Benefits

The number of employees whose remuneration including redundancy costs but excluding pension contributions was £50k or more in bands of £5k: This table also includes the senior officers detailed in Table 49 below.

BANDINGS Table 48	Remuneration Bandings	Schools				Council Staff				TOTALS			
		Number of employees		Left during year		Number of employees		Left during year		Number of employees		Left during year	
		2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
1	£50k-£54k	29	32	1	1	42	39	0	4	71	71	1	5
2	£55k-£59k	27	18	0	0	8	15	0	1	35	33	0	1
3	£60k-£64k	17	20	0	0	17	14	0	1	34	34	0	1
4	£65k-£69k	9	8	0	0	8	6	0	0	17	14	0	0
5	£70k-£74k	3	6	0	0	3	5	0	1	6	11	0	1
6	£75k-£79k	2	2	0	0	3	2	0	1	5	4	0	1
7	£80k-£84k	0	3	0	0	10	8	0	0	10	11	0	0
8	£85k-£89k	6	0	1	0	1	2	0	0	7	2	1	0
9	£90k-£94k	1	3	0	0	0	0	0	0	1	3	0	0
10	£95k-£99k	0	1	0	0	1	1	0	0	1	2	0	0
11	£100k-£104k	1	1	0	0	1	0	0	0	2	1	0	0
12	£105k-£109k	0	0	0	0	1	2	0	0	1	2	0	0
17	£130k-£134k	0	0	0	0	0	0	0	0	0	0	0	0
18	£135k-£139k	0	0	0	0	1	1	0	0	1	1	0	0
		<u>95</u>	<u>94</u>	<u>2</u>	<u>1</u>	<u>96</u>	<u>95</u>	<u>0</u>	<u>8</u>	<u>191</u>	<u>189</u>	<u>2</u>	<u>9</u>

Notes to the Core 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 49		£	£	£	£	£
Chief Executive - Nick Carter						
Resources	2016/17	139,753	0	139,753	23,447	163,200
	2015/16	138,418	0	138,418	22,414	160,832
Corporate Directors						
Environment	2016/17	109,482	0	109,482	18,354	127,836
	2015/16	108,438	0	108,438	17,545	125,983
Communities	2016/17	105,482	0	105,482	18,354	123,836
	2015/16	104,438	0	104,438	17,545	121,983
Senior Council Personnel						
Head of Education	2016/17	84,108	0	84,108	14,026	98,134
	2015/16	85,185	0	85,185	13,723	98,908
Head of Legal Services	2016/17	76,809	1,755	78,564	13,600	92,164
	2015/16	83,310	0	83,310	13,408	96,718
Head of Human Resources	2016/17	80,608	4,379	84,987	14,026	99,013
	2015/16	81,900	1,861	83,761	13,408	97,169
Head of Finance	2016/17	80,608	3,442	84,050	14,026	98,076
	2015/16	79,810	3,062	82,872	13,408	96,280
TOTAL	2016/17	676,850	9,576	686,426	115,833	804,717
TOTAL	2015/16	681,499	4,923	686,422	111,451	797,873

(32) External Auditor's Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts.

2015/16 £000	Audit fees Table 50	2016/17 £000
97	Fees payable to KPMG with regard to external audit services	97
11	Fees payable to KPMG with regard to grants audit	11
108	Total	108

(33) 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 2016/17 are as follows:

Deployment of Dedicated School Grant Table 51	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2016/17 before Academy recoupment			119,686
Final Academy figure recouped for 2016/17			<u>(31,162)</u>
Total DSG after Academy recoupment for 2016/17			88,524
Plus: Brought forward from 2015/16			253
Less: Claw back of early years funding for 2015/16			(91)
Less: Carry forward to 2017/18 agreed in advance			<u>0</u>
Total DSG Funds Available			<u>88,686</u>
Agreed initial budgeted distribution in 2016/17	14,856	75,601	90,457
In year adjustments:			
In year academy transfers		(1,143)	(1,143)
Final allocation of brought forward from 2015/16	373		373
Planned overspend in 2016/17 to be met in 2017/18	<u>(794)</u>	<u>(207)</u>	<u>(1,001)</u>
Final budgeted distribution for 2016/17	<u>14,435</u>	<u>74,251</u>	<u>88,686</u>
Less Actual central expenditure	(14,319)		(14,319)
Less Actual ISB deployed to schools		(74,712)	(74,712)
Plus Local Authority contribution for 2016/17	<u>0</u>	<u>0</u>	<u>0</u>
Carry forward to 2017/18	<u>116</u>	<u>(461)</u>	<u>(345)</u>

(34) Grant income

34a The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2016/17.

Notes to the Core Financial Statements

2015/16		Grant Income	2016/17	
£000	RSG element £000	Table 52	£000	RSG element £000
Credited to taxation and non specific grant income				
2,739	2,739	Revenue Support Grant	9,529	9,529
2,816	1,980	Council Tax Freeze Grant	0	0
6,653	6,653	Council Tax Support Funding	0	0
72	72	Lead Local Flood Authority Funding	1	0
73	73	Homelessness Prevention Funding	0	0
1,880	1,880	Early Intervention Grant	0	0
105	0	Local Services Support Grant	0	0
4,339	0	Better Care Fund	0	0
149	149	Local Welfare Provision	0	0
1,922	1,922	Learning Disability Health Reform Grant	0	0
3,062	0	New Homes Bonus	3,992	0
2,031	0	Education Services Grant	1,847	0
0	0	Transition Grant	1,390	0
0	0	HTST	66	0
0	0	BRR RSG - Other	85	0
0	0	High Needs Strategy	71	0
73	0	Community Safety Grant	71	0
0	0	Other	58	0
25,914	15,468	Total Non Ring Fenced Government Grants	17,110	9,529
4,705	0	Section 106 Contributions	4,778	0
24,484	0	Capital Grants	21,914	0
29,189	0		26,692	0
Credited to services				
88,483	0	Dedicated Schools Grant	88,433	0
40,159	0	Housing Benefit Grant	39,406	0
11,172	0	Learning Support Council, Skills & Educ Funding Agencies	11,079	0
5,410	0	Public Health	6,159	0
2,312	0	Private Finance Initiative	2,312	0
456	0	Housing Benefit Administration	408	0
371	0	Troubled Families	308	0
351	0	Independent Living Fund	444	0
290	0	Unaccompanied Asylum Seekers	294	0
242	0	Youth Offending	221	0
171	0	Discretionary Housing Payments	103	0
140	0	Council Tax Admin & Support	130	0
95	95	BRR RSG - Other	0	0
0	0	Syrian Vulnerable Persons Relocations Scheme Grant	83	0
0	0	Elevate Project	158	0
0	0	Family Safeguard Innovation Prog project fund	866	0
1,281	0	Other Specific Government Grants	723	0
150,933	95	Total	151,127	0

Notes to the Core Financial Statements

- 34b** The Authority has received a number of grants 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 giver. 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 Statement once the condition has been met. The balances at year-end are as follows:

Grants Receipts in Advance (capital grants)	2016/17
Table 53	£000

DEFRA	(2,355)
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Grants Receipts in Advance (capital grants)	2015/16
Table 54	£000

DEFRA	(985)
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Grants Receipts in Advance (revenue grants)	2016/17
Table 55	£000

Adult Skills Contracts	(82)
Adult and Community Learning	(56)
Discretionary Housing Payment	(112)
Total	(250)

Grants Receipts in Advance (revenue grants)	2015/16
Table 56	£000

Adult Skills Contracts	(82)
Adult and Community Learning	(99)
DSG	(253)
Total	(434)

(35) Related Party Transactions

The Council is required to disclose any material transactions that have taken place with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefit). Grants received from government departments are set out in note 34.

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 expenditure over £100k with other related parties during the financial year.

2015/16 £000	Related Parties Table 57	2016/17 £000
320	Corn Exchange Theatre Trust	242
278	Vodafone Ltd	220
161	Sovereign Housing Association	0
739	Berkshire Healthcare	1,443
136	Volunteer Centre West Berkshire	120
0	John O'Gaunt School - Academy	417
0	Kennet School - Academy	306
0	Theale Green School - Academy	253
<u>1,634</u>	Total	<u>3,001</u>

Council members have a direct control over the Council's financial and operating policies and have declared an interest in the following organisations, other than those with material expenditure (as above):

- Greenham Common Community Trust
- Thames Valley Police Authority
- Royal Berkshire Fire and Rescue Authority
- Watermill Theatre Ltd
- Thatcham Pre-school
- Empowering West Berkshire
- Home Start West Berkshire

Various suppliers where expenditure is less than £20k

Notes to the Core Financial Statements

The Chief Executive has declared an interest in Thames Valley Local Enterprise Partnership (ceased 14 June 2016), from which the Council receives funding for infrastructure (roads) and broadband. He is also Chairman of Newbury College and Newbury College Corporation, although this is not a related party, as he was appointed by the Council. Two other Chief Officers/ their close relations have disclosed declarable transactions with the Council – not material expenditure values.

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.

(36) 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 hired out 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 2016			Table 58	31 March 2017		
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
57	443	104	Not later than 1 year	52	445	103
125	1,087	273	Between 1 and 5 years	115	1,117	263
164	4,690	781	Between 5 and 25 years	149	4,690	695
88	4,893	83	Over 25 years	86	4,841	76
434	11,113	1,241		402	11,093	1,137

Being the future minimum lease payments receivable under non cancellable leases.

The rental income credited to the income statement was £663k (2015/16: £667k)

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 land, buildings, vehicles and office equipment. Land and buildings include social care facilities, schools and playing fields. These items are not the property of the Council and consequently are not recorded in the Balance Sheet.

Notes to the Core Financial Statements

31 March 2016		Table 59	31 March 2017	
Land & Buildings £000	Vehicles Plant & Equipment £000	Council as lessee Operating Leases Leases expiring:	Land & Buildings £000	Vehicles Plant & Equipment £000
383	378	Not later than 1 year	359	212
934	268	Between 1 and 5 years	918	155
3,083	2	Between 5 and 25 years	2,859	0
4	0	Over 25 years	5	0
<u>4,404</u>	<u>648</u>		<u>4,141</u>	<u>367</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 £712k (2015/16: £655k) and £435k (2015/16: £363k) respectively.

(37) 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.

37a 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		Table 60			
2015/16 £000	Due within	Repayment of Liability £000	Interest £000	Service Charges £000	Total 2016/17 £000
17,861	Repayment in year	570	944	16,692	18,206
	<u>Deferred liability</u>				
18,228	Within 1 year	605	909	17,313	18,827
75,918	2 to 5 years	2,811	3,245	71,081	77,137
104,138	6 to 10 years	4,593	2,977	99,242	106,812
115,859	11 to 15 years	6,176	1,394	112,180	119,750
36,519	16 to 20 years	713	44	10,595	11,352
<u>368,523</u>	Total of all payments	<u>15,468</u>	<u>9,513</u>	<u>327,103</u>	<u>352,084</u>

37b 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:

Notes to the Core Financial Statements

31/03/16 £000	Padworth PFI Asset movements & Liabilities	Table 61	31/03/17 £000
Movement in asset value:			
27,954	Gross Book Value at start of year		27,954
0	Additions		0
0	Revaluation		0
<u>27,954</u>	Gross Book Value at year end		<u>27,954</u>
(1,400)	Depreciation at the start of year		(2,101)
(701)	Depreciation		(700)
0	Revaluation		0
<u>(2,101)</u>	Depreciation at year-end		<u>(2,801)</u>
<u>25,853</u>	Net Book Value at year end		<u>25,153</u>
(16,005)	Balance outstanding at the start of year		(15,468)
537	Principal repayment in year		570
<u>(15,468)</u>	Balance outstanding at year end		<u>(14,898)</u>
(570)	Within 1 year		(605)
<u>(14,898)</u>	Deferred liability		<u>(14,293)</u>
<u>(15,468)</u>	Balance outstanding at year end		<u>(14,898)</u>

At the end of the contract the IWMF will revert, at no residual cost, back to the Council.

(38) 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 makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them 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 2017. 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.

38a Transactions relating to post – employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against Council tax is based on the cash payable in the year, so the real cost of post – employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:-

Notes to the Core Financial Statements

2015/16 £000	Local Government Pension Scheme Table 62	2016/17 £000
Comprehensive Income and Expenditure account		
15,038	Current service cost	13,387
51	Past service cost, including curtailments	217
15,089	Total Service Cost	13,604
Financing and investment income and expenditure		
15,503	Interest cost	16,354
(7,387)	Interest on scheme assets	(7,927)
8,116	Total post employment benefit charged to the surplus or deficit on the provisions of services	8,427
Other post employment benefit charged to the comprehensive income and expenditure statement		
Remeasurement of the net defined benefit liability comprising:		
10,977	Return on assets less interest	(25,318)
0	Actuarial (gains) and losses arising on change in demographic assumptions	(6,303)
(34,815)	Actuarial (gains) and losses arising on change in financial assumptions	107,899
(361)	Experienced loss / (gain) on defined benefit obligations	(4,514)
0	Other actuarial gains / (losses)	(6,226)
0	Liabilities assumed	(897)
0	Settlement prices...	140
154	Administrative expenses	159
(24,045)	Total post employment benefit charged to the comprehensive income and expenditure statement	64,940
(840)	Net Charge / Net surplus to the Comprehensive Income and Expenditure Account	86,971
Movement in Reserves Statement		
840	Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits	(86,971)
9,360	Actual amount charged against the General Fund balance for pensions in the year	9,589
10,200	Net liability arising from the defined benefit obligation	(77,382)

The re-measurements on defined liabilities required by the revised IAS19 standard are a loss of £64,940k in 2016/17 (2015/16 they were a gain of £24,045k) and are included within the 'Other Comprehensive Income and Expenditure' line on the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit scheme is as follows:

Present value of Scheme Liabilities Table 63	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Present value of Liabilities	(356,471)	(383,520)	(468,117)	(454,651)	(571,533)
Fair value of Scheme Assets	194,575	199,457	217,982	214,715	254,216
Net liability arising from defined benefit obligation	(161,896)	(184,063)	(250,135)	(239,935)	(317,317)
Experience loss/(gain) on defined benefit obligation	(559)	(16,523)	(238)	(361)	(4,514)
Return on scheme assets in excess of interest	9,135	(3,162)	9,654	(10,978)	25,317

2015/16 £000	Fair Value of Scheme Assets Table 64	2016/17 £000
217,982	Opening fair value of scheme assets	214,715
7,387	Interest income	7,927
(10,978)	Return on scheme assets (excluding the amount included in the net interest expense)	25,317
0	Other actuarial gains and (losses)	6,226
(154)	Administrative expenses	(157)
9,360	Contributions from employer	9,589
3,436	Contributions from employees into the scheme	3,450
(12,318)	Estimated benefits paid plus net transfers in	(12,711)
0	Settlement prices received and (paid)	(140)
214,715	Closing balance	254,216

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

31/03/16		Pension fund assets Table 65	31/03/17	
£000	%		£000	%
97,080	46%	Equities	124,018	49%
3,057	1%	Gilts	0	0%
28,781	14%	Other Bonds	37,891	15%
24,535	12%	Property	35,049	14%
10,586	5%	Cash	26,668	10%
		Alternative assets		
39,500	18%	Target Return	26,256	10%
6,918	3%	Commodities	4,214	2%
10,032	5%	Infrastructure	12,907	5%
(8,415)	-4%	Longevity Insurance	(12,787)	-5%
212,074	100%	Total	254,216	100%

2015/16 £000	Funded Liabilities Table 66	2016/17 £000
468,117	Opening balance	454,651
15,038	Current service cost	13,387
15,503	Interest cost	16,354
(34,815)	Actuarial (gains) and losses arising on changes in financial assumptions	107,899
0	Actuarial (gains) and losses arising on changes in demographic assumptions	(6,303)
3,436	Contributions from scheme participants	3,450
(361)	Actuarial (gains) and losses	(4,514)
0	Liabilities extinguished on settlements	(897)
(11,758)	Estimated benefits paid net of transfers in	(12,167)
51	Past service costs, including curtailments	217
(560)	Unfunded pension payments	(544)
454,651	Closing balance	571,533

Basis for Estimating Assets and Liabilities and Assets

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 as at 31st March 2016.

Notes to the Core Financial Statements

The main assumptions used by the actuary are:

2015/16	Basis for Estimating Assets and Liabilities	Table 67	2016/17
Mortality assumptions			
Longevity at 65 for current pensioners:			
22.9	Men		23.0
26.2	Women		25.0
Longevity at 65 for future pensioners:			
25.2	Men		25.2
28.6	Women		27.4
3.3%	Rate of inflation (RPI)		3.6%
2.4%	Rate of inflation (CPI)		2.7%
4.2%	Rate of increase in Salaries		4.2%
2.4%	Rate of increase in Pensions		2.7%
3.7%	Rate of discounting scheme liabilities		2.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact On The Defined Benefit Obligation In The Scheme: Table 68	WBC Pension scheme increase in assumption £'000	WBC Pension scheme decrease in assumption £'000
Longevity (increase or decrease in 1 year)	(21,127)	20,349
Rate of increase in salaries (increase or decrease by 0.1%)	(1,455)	1,444
Rate of increase in pensions (increase or decrease by 0.1%)	(9,597)	9,403
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	10,829	(10,447)

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next three years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated paying £8.4m (2015/16: £8.1m) in employer contributions to the scheme in 2016/17. The weighted average duration of the defined benefit obligation for the scheme members is 20 years, 2016/17 (20 years 2015/16).

In addition, the Council is responsible for all early releases of benefit payments, these amounted to £82.7k (2015/16: £133k).

38b 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 financial statements, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council paid employers' contributions of £6.1 m (2015/16: £5.9m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay.

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

38c 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 £17.3 k (2015/16: £16.7k) to the NHS Pension Scheme.

(39) Contingent Liabilities

The Council was successful in defending the Judicial Review of a development agreement at the High Court. Since then the claimants have sought to appeal the High Court decision at the Court of Appeal. The decision to grant permission to appeal is pending. If permission is granted the likely costs are not known at this time.

(40) Contingent Assets

The Council has no known Contingent Assets.

(41) Parish Council Precepts

Parish Councils are required to precept on the Council, which in turn precepts on the collection fund. The total precept is £3,865k (2015/16: £3,710k), of which -£24k (2015/16 - £12k) represents special expenses for the maintenance of closed church yards.

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. The Council has a statutory requirement to operate the Collection Fund as a separate account to the General Fund and as 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 precepting bodies and the Government of council tax and non-domestic rates.

Council Tax 2015/16 £000	Business Rates 2015/16 £000	Collection Fund Income & Expenditure Account Table 69	notes	Council Tax 2016/17 £000	Business Rates 2016/17 £000
		Income			
(94,572)	0	Council Tax Receivable	1	(99,946)	0
0	(86,498)	Business Rates Receivable	2	0	(87,590)
(408)	0	Government Grants	3	(463)	0
(94,980)	(86,498)	Total Income		(100,409)	(87,590)
		Expenditure			
		Precepts & Demands:	4		
0	40,896	Central Government		0	43,704
82,067	40,077	West Berkshire Council		86,142	42,830
10,163	0	Thames Valley Police Authority		10,456	0
3,766	818	Royal Berkshire Fire Authority		3,837	874
95,996	81,791			100,435	87,408
(77)	383	Transfer to General Fund in respect of distribution of previous year's estimated deficit	5	(1,176)	(3,313)
		Charges to the Collection Fund			
0	95	Transitional Relief Payment		0	142
0	259	Costs of collection		0	259
107	0	Increase (-) decrease in Bad Debt Provision	6	47	0
0	1,900	Increase (-) decrease in Provision for Appeals	7	0	500
107	2,254			47	901
96,026	84,428	Total Expenditure		99,306	84,996
1,046	(2,070)	(Surplus)/Deficit for the year		(1,103)	(2,594)
265	6,873	(Surplus)/deficit brought forward at 1st April		1,311	4,803
1,311	4,803	(Surplus)/deficit carried forward at 31st March		208	2,209

Notes to the Core Financial Statements

(1) Council tax

A system of charging revenue called Council tax, based on residential property values, was introduced on 1st April 1993 and replaced the Community Charge, which was based on people.

2015/16 £000	Council tax Table 70	2016/17	
		£000	£000
110,091	Opening Debit	115,257	
<u>0</u>		<u>0</u>	
110,091			115,257
(1,534)	Exemptions	(1,639)	
(7,251)	Discounts	(7,200)	
(81)	Disabled relief	(103)	
<u>(6,653)</u>	Council tax Support	<u>(6,369)</u>	
<u>(15,519)</u>			<u>(15,311)</u>
<u>94,572</u>	Net Closing Debit		<u>99,946</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.

2015/16 £000	National Non-Domestic Rates Table 71	2016/17	
		£000	£000
89,059	Opening Debit	93,326	
89,059			93,326
(2,715)	Less empty and revalued properties	(2,591)	
0	New funded relief	0	
95	Transitional relief	142	
(6,906)	Mandatory relief	(5,025)	
(714)	Discretionary relief	(162)	
7,679	RV List amendments	1,900	
			<u>(5,736)</u>
<u>86,498</u>	Net Business Rates Receivable		<u>87,590</u>

The opening debit is arrived at by multiplying the total rateable value by the rate poundage (48.4 pence in the pound).

Notes to the Core Financial Statements

(3) Government Grants

The following grants have been credited to the Collection Fund

2015/16 £000	Grants credited to Collection Fund Table 72	2016/17 £000
<u>(408)</u>	Ministry of Defence Properties	<u>(463)</u>

(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

In January the Council is required to prepare an estimate of its surplus or deficit which is expected to arise at the end of the financial year. This estimate is then shared between the Council and the precepting bodies in the following year. In January 2016 it was estimated that the Collection Fund would have a Business Rates deficit of £3,313k and a Council tax deficit of £1,176k. The following amounts were therefore due to/from preceptors:

Council Tax 2015/16 £000	Business Rates 2015/16 £000	Contributions to Collection Fund Surplus and Deficit Table 73	Council Tax 2016/17 £000	Business Rates 2016/17 £000
67	(188)	West Berkshire Council	1,006	1,657
0	(191)	Central Government	0	1,623
8	0	Thames Valley Police	46	0
3	(4)	Royal Berkshire Fire and Rescue Authority	124	33
<u>78</u>	<u>(383)</u>		<u>1,176</u>	<u>3,313</u>

Notes to the Core Financial Statements

(6) Provision for Non-payment of Council tax / NNDR

The following provisions have been established to allow for the non-payment of council tax / NNDR

2015/16 £000	Provision for non-payment of Council tax Table 74	2016/17 £000
150	Opening Balance	150
107	Transfer from/to Income and Expenditure Account	47
-107	Write offs in the year	-47
150	Closing Balance	150

2015/16 £000	Provision for non payment of NNDR Table 75	2016/17 £000
500	Opening Balance	544
486	Change to the Provision	0
-236	Write offs in the year	-347
750	Closing Balance	197

(7) Provision for Appeals

A provision has been made for appeals against rateable value set by the Valuation Office not yet settled at the end of the financial year.

2015/16 £000	Business Rate Appeals Table 76	2016/17 £000
7,679	Opening balance	1,900
1,900	Transfer from Income & Expenditure Account	500
(7,679)	Write off in the year	(1,900)
1,900	Closing Balance	500

(8) 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.

Notes to the Core Financial Statements

Council tax Base Table 77		Band	Net Dwellings	Multiplier	Band D Equivalent
	Disabled	A	3.00	5/9	1.71
	up to £40,000	A	1,802.19	6/9	1,201.80
over £40,000	up to £52,000	B	4,311.23	7/9	3,353.35
over £52,000	up to £68,000	C	15,626.02	8/9	13,889.68
over £68,000	up to £88,000	D	15,189.58	9/9	15,189.48
over £88,000	up to £120,000	E	9,621.50	11/9	11,759.79
over £120,000	up to £160,000	F	6,282.76	13/9	9,075.08
over £160,000	up to £320,000	G	4,227.56	15/9	7,045.90
over £320,000		H	648.89	18/9	1,297.78
					62,814.57
	Adjustment for losses on collection			x	0.996
					62,563.31

Glossary

Academy (School) – 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 – These 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 assets 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 financial statements 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.

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

New Arrangements for Appeals Panel

Committee considering report:	Council on 14 September 2017 Governance and Ethics on 21 August 2017
Portfolio Member:	Councillor Graham Jones
Date Portfolio Member agreed report:	03 August 2017
Report Author:	Moira Fraser
Forward Plan Ref:	C3361

1. Purpose of the Report

- 1.1 To propose an increase in the number of Members on an Appeals Panel from three to four and to remove the requirement for a substitute.

2. Recommendations

- 2.1 To agree that the Panel for future Appeals Panel meetings will consist of four Members with no substitute required.
- 2.2 Subject to agreement with paragraph 2.1 the necessary changes to be made to the Council's Constitution.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** The Constitution would have to be amended to reflect the changes
- 3.3 **Personnel:** N/a
- 3.4 **Legal:** TBC
- 3.5 **Risk Management:** N/a
- 3.6 **Property:** N/a
- 3.7 **Other:** N/a

4. Other options considered

- 4.1 To retain the current arrangements.

Executive Summary

5. Introduction / Background

- 5.1 The Governance and Ethics Committee, at the 19 June 2017 meeting, considered a proposal to increase the number of Members on Licensing Sub-Committees from three plus a substitute to four with no substitute required. The Committee agreed to recommend to Full Council that this recommendation be adopted.
- 5.2 In addition they also requested that consideration be given to applying the same principle to the number of Members required for an Appeals Panel. The basis for this was that the two bodies were subject to very similar operational practices.
- 5.3 The function of the Appeals Panel is the determination of an appeal against any decision made by or on behalf of the Authority. The panel deals with a wide range of appeals including appeals in respect of council tax, home-to-school transport and refusal to grant permission in respect of Tourist Information Signs.
- 5.4 Currently the Full Appeals Panel comprises 12 Members appointed on a politically proportionate basis at the Annual Council meeting. Where an appeal needs to be heard an Appeals Panel of three Members and a substitute is constituted by the Head of Strategic Support. The substitute is required to attend the whole hearing in case an unexpected conflict of interest or illness arose, but they are precluded from taking part in the deliberations and final decision making.
- 5.5 Since January 2016 The Appeals Panel had heard three appeals and all of these appeals related to Council Tax.

6. Exceptions

- 6.1 It should be noted that while employment appeals (including Disciplinary, Capability, Absence Management, Redundancy and Grievance matters) were dealt with by Members the Panel would comprise a Corporate Director (chair), a Head of Service and an elected Member and they were therefore **not** included in this proposal.
- 6.2 School Admission and Exclusion Appeals are also heard by a panel but these panels comprised independent representatives and they would also **not** be affected by this proposal.
- 6.3 Homelessness reviews are conducted in accordance with the relevant regulations, which do not give an automatic right to an oral hearing, by a Reviewing Officer who is senior to the officer involved in making the original decision and who was not involved in the original decision. There is therefore no member involvement in these appeals and they would therefore not be affected by this proposal.

7. Proposal

- 7.1 Under the current arrangement a substitute Member is required to stay on in the hearing in case an unexpected conflict of interest or illness arises. There has been no requirement for the substitute to replace a panel member in the recent past and this has meant that the substitute had to attend the hearing, but then had to leave when the deliberations started. Members have found this frustrating.

- 7.2 It is proposed that in order to fully involve all Appeals Panel Members in the decision making process and provide them with the opportunity to gain necessary relevant experience, the number of Members sitting on an Appeal Panel should be increased to four, but with substitutes no longer being appointed. The quorum for a Panel would still be three Members. In the event that the number of votes to refuse or approve an appeal were equal the Chairman would be required to use their casting vote and therefore a decision could always be made.
- 7.3 There would be no budgetary implication, should Members be minded to approve this recommendation, as the current requirement for a substitute to be in attendance would no longer be necessary.

8. Conclusion

- 8.1 Members of the Appeals Panel have been informally canvassed and they have agreed, in principle, with the proposal to increase the number of Members sitting on Appeals Panel from three to four (with no substitute required). This proposal would therefore ensure that all Members of the Panel have the opportunity to sit and gain experience at hearings without having to endure the frustration of not being involved in the final determination of a matter.

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