

# Notice of Meeting

---



Scan here to access the public documents for this meeting

## Governance and Ethics Committee

**Monday, 10th February, 2020 at 4.00 pm**  
in Council Chamber Council Offices  
Market Street Newbury

**Note:** The Council broadcasts some of its meetings on the internet, known as webcasting. If this meeting is webcasted, please note that any speakers addressing this meeting could be filmed. If you are speaking at a meeting and do not wish to be filmed, please notify the Chairman before the meeting takes place. Please note however that you will be audio-recorded.

Date of despatch of Agenda: Friday, 31 January 2020

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Moira Fraser on (01635) 519045  
e-mail: [moira.fraser@westberks.gov.uk](mailto:moira.fraser@westberks.gov.uk)

Further information and Minutes are also available on the Council's website at [www.westberks.gov.uk](http://www.westberks.gov.uk)



**Agenda - Governance and Ethics Committee to be held on Monday, 10 February 2020**  
(continued)

**To:** Councillors Jeff Beck (Chairman), James Cole, Jeremy Cottam (Vice-Chairman), Barry Dickens, Jane Langford, Tony Linden, Thomas Marino, David Marsh, Geoff Mayes, Andy Moore and Joanne Stewart

**Substitutes:** Councillors Adrian Abbs, Carolyne Culver, Lee Dillon, Steve Masters, Claire Rowles and Garth Simpson

---

# Agenda

## Part I

|  | <b>Page No.</b> |
|--|-----------------|
| 1 <b>Apologies</b><br><i>To receive apologies for inability to attend the meeting (if any).</i>  |                 |
| 2 <b>Minutes</b><br><i>To approve as a correct record the Minutes of the meeting of this Committee held on 25 November 2019.</i>   | 1 - 4           |
| 3 <b>Declarations of Interest</b><br><i>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' <a href="#">Code of Conduct</a>.</i>          |                 |
| 4 <b>Forward Plan</b><br><i>Purpose: To consider the Forward Plan for the next 12 months.</i>  | 5 - 8           |
| 5 <b>The Audit Findings for West Berkshire Council - Financial Year Ended 31 March 2019 (GE3828a)</b><br><i>Purpose: To provide Members with the draft audit findings report provided by Grant Thornton in respect of their external review of the 2018/19 Financial Statements.</i> | 9 - 52          |
| 6 <b>Financial Statements 2018/19 (GE3828b)</b><br><i>To provide Members with a copy of the audited financial statements for the financial year ended 31 March 2019.</i>   | 53 - 194        |



**Agenda - Governance and Ethics Committee to be held on Monday, 10 February 2020**  
(continued)

- 7 **Exclusion of Press and Public**  
**RECOMMENDATION:** *That members of the press and public be excluded from the meeting during consideration of the following items as it is likely that there would be disclosure of exempt information of the description contained in the paragraphs of Schedule 12A of the Local Government Act 1972 specified in brackets in the heading of each item.*

## Part II

- 8 **Risk Management - Quarter 2 of 2019/20 (GE3691)** 195 - 230  
*(Paragraph 3 – information relating to financial/business affairs of particular person)*  
*(Paragraph 5 – information relating to legal privilege)*  
*(Paragraph 6 – information relating to proposed action to be taken by the Local Authority)*
- Purpose: To highlight to Members the corporate risks that need to be considered by Corporate Board and to outline the actions that are being taken to mitigate those risks.*

Sarah Clarke  
Head of Legal and 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.



This page is intentionally left blank

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

## **GOVERNANCE AND ETHICS COMMITTEE**

### **MINUTES OF THE MEETING HELD ON MONDAY, 25 NOVEMBER 2019**

**Councillors Present:** Jeff Beck (Chairman), James Cole, Barry Dickens, Jane Langford, Tony Linden, Thomas Marino, David Marsh, Geoff Mayes, Andy Moore and Joanne Stewart

**Also Present:** Jen Brunning (Senior Auditor, Finance and Property), Sarah Clarke (Head of Legal and Strategic Support), Shannon Coleman-Slaughter (Chief Financial Accountant), Julie Gillhespey (Audit Manager), Joseph Holmes (Executive Director - Resources), Richard Turner (Property Service Manager), Andy Walker (Head of Finance and Property), Moira Fraser (Democratic and Electoral Services Manager)

**Apologies for inability to attend the meeting:** Councillor Adrian Abbs, Councillor Jeremy Cottam and Roger Hunneman

#### **PART I**

##### **17 Minutes**

The Minutes of the meeting held on 29 July 2019 were approved as a true and correct record and signed by the Chairman.

Members agreed to suspend standing orders in accordance with paragraph 7.12.4 of the Constitution to allow Barrie Morris, the Council's external auditor, to provide and update on Item 13. West Berkshire Council Financial Statements 2018/19

Mr Morris reported that there were still a small number of outstanding issues and they could not provide an opinion until this work had been completed.

Sarah Clarke noted that although work had started on the review of the Constitution the calling of the General Election had mean that some of the dates would have to be revised. She circulated a revised timetable for information.

##### **18 Declarations of Interest**

There were no declarations of interest received.

##### **19 Forward Plan**

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

The following amendments were noted:

1. GE3637 Financial Statements 2018/19 – Annual Audit Letter would be renamed as External Audit Opinion 2018/19 and it would be coming to the 20 April 2020 meeting.
2. GE3864 Internal Audit Interim Report 2020/21 would be coming the September 2020 meeting.

During the meeting the following additional amendments were made to the Forward Plan:

1. Property Database Asset Management Progress Report Post Audit Follow Up to the June 2020 meeting.

## GOVERNANCE AND ETHICS COMMITTEE - 25 NOVEMBER 2019 - MINUTES

2. Asset Management Strategy/Plan Progress Report Post Audit Follow Up to the June 2020 meeting.
3. Update on Procurement Cards to the 03 February 2020 meeting.
4. Financial Statements Report from Grant Thornton to the 03 February 2020 meeting.

Moira Fraser noted that the following meeting dates had provisionally been set for the 2020 calendar year:

- 03 February 2020
- 20 April 2020
- 16 June 2020
- 27 July 2020
- 07 September 2020
- 23 November 2020

**RESOLVED** that the Governance and Ethics Committee Forward Plan, as amended, be noted.

### 20 **Revised Draft Policies/Procedures covering Anti-Fraud and Corruption, Anti-Bribery and Money Laundering (GE3854)**

Julie Gillhespey presented a report (Agenda Item 5) which sought approval for the revised content of the Anti-Fraud and Corruption, Anti- Money Laundering and Bribery Act policies.

Julie Gillhespey noted that there had only been minor amendments made to the Money Laundering and Anti-Bribery Policies as they still accorded with good practice and legislative requirements.

The Money Laundering Policy had been expanded to give examples to try and explain how it worked. The policy now showed that Joseph Holmes was the Money Laundering Reporting Officer and the Head of Legal and Strategic Support and the Head of Finance and Property would be deputising.

The Anti-Fraud Policy and Procedure had had a major revamp as good practice guidance had moved on quite a bit since the previous version was compiled. The Chairman had raised a number of observations on the content and as a result some minor changes would be made to the phraseology and references to gender. The table on page 41 (Roles and Responsibilities section) would be amended regarding the role of the this Committee and a sentence would be inserted on page 31 under section 16.1.

Ms Gillhespey explained that the policy required more emphasis on pro-active fraud work. Some of this work was covered as part of the usual audit plan work. In addition the Council had recently purchased some specialist data analytical software, which could be used to do more in-depth testing on data. The Council did not currently have an Anti-Fraud Work Plan despite it being recommended as good practice. Work would therefore be undertaken to compile a plan which would be brought to the Committee for approval. The Committee would also be updated on any fraud investigations that were undertaken and Members would be appraised of the more detailed information about any outcomes.

Training would be provided in respect of the policies and procedures. In addition more detailed and focussed hands on training would be provided to services where there was

## **GOVERNANCE AND ETHICS COMMITTEE - 25 NOVEMBER 2019 - MINUTES**

a greater risk of fraud occurring. Officers were in discussion with an external audit provider (SIAP) to organise them to carry out the training.

Members were supportive of the documents and thanked Officers for the work that had gone into their preparation.

**RESOLVED that the revised policies be approved.**

### **21 Review of Functions of the Governance and Audit Committee (GE3829)**

Julie Gillhespey introduced the item (Agenda Item 6) and explained that Jen Brunning had been leading on the review. She explained that it was deemed to be good practice to do the review and had been highlighted in the report covering the external assessment of the Internal Audit Service undertaken the previous year. The review had not yet been completed and this item was intended to provide Members with an update on progress and would set out what was being proposed.

The terms of reference had been shared with the Chairman, Councillor Beck, in August and he was asked for any feedback.

Jen Brunning was the Senior Auditor who was undertaking the review. Officers felt that it was important to establish from Members how effective they felt the Committee was in meeting its objectives, and members were being asked to identify if there were any areas where they thought improvements could or should be made. Members would be issued with a short survey which officers were asking them to complete and return. The results of the survey and comparative data would be used to compile a report which would be presented to a future meeting.

Members noted the approach that was being proposed. They were supportive of the survey.

### **22 Internal Audit – Interim Report 2019/20 (GE3638)**

Julie Gillhespey presented a report (Agenda Item 7) which gave an updated on the outcome of Internal Audit work carried out during quarters one and two of 2019-20.

Ms Gillhespey noted that of the nine reports finalised the majority were rated as satisfactory or above, there were only two where there were areas of control Officers were concerned about. She stressed that the areas of concern were rated as weak, not very weak and therefore it could be concluded that some elements were working well. Although there were two audits with a weak opinion, there had not been any significant issues of concern identified during the work undertaken in the period that impacted on the Council's overall control framework.

#### **S106 – Weak audit**

The roles and responsibilities of the Developer Contributions Team and service areas were clearly defined and understood. The processes for the day to day recording and monitoring of the S106 Agreements worked well. However the team were reliant on developers informing the Council when contributions were due rather than being proactive with carrying out site visits. There was also no governance group with specific responsibilities for overseeing the Developer Contributions fund and monitoring progress of each application and receipt of funds and expenditure incurred and relevant spend.

#### **Residential Care – Purchase of Care - weak audit**

**GOVERNANCE AND ETHICS COMMITTEE - 25 NOVEMBER 2019 - MINUTES**

The auditors noted that the Residential and Nursing Care Placements for Older People Policy accorded with the Care Act Guidance covering choice of accommodation. As part of the implementation of the Care Director system, guidance, procedures and flowcharts were developed which cover the Residential and Nursing Placement processes.

Contracts and Commissioning and the Care Placement Team were responsible for providing three quotes to care staff for possible residential placements. A specific form has been created for care management to use to submit their requests.

Members noted the content of the report and raised concerns about the weak audits although accepted that there were not any significant areas of concern.

**RESOLVED that the report be noted.**

**23 Exclusion of Press and Public**

**RESOLVED that** members of the press and public be excluded from the meeting for the under-mentioned items of business on the grounds that they involved the likely disclosure of exempt information as contained in Paragraph 3 Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) Order 2006. Rule 8.10.4 of the Constitution also refers

**24 Internal Audit – Interim Report 2019/20 (GE3638)**

*Paragraph 3 – information relating to financial/business affairs of a particular person)*

The Committee considered an exempt report (Agenda Item 8) concerning two Unsatisfactory Follow Up Audits previously referred to in the Internal Audit Quarterly Update Report.

**RESOLVED that** the recommendations in the exempt report outlined at the meeting be agreed.

**Other options considered:** as outlined in the exempt report.

*(The meeting commenced at 5.00 pm and closed at 6.20 pm)*

**CHAIRMAN** .....

**Date of Signature** .....



## Governance and Ethics Committee Forward Plan April 2020 – April 2021

| No.                  | Ref No | Item  | Purpose   | Lead Officer              | Lead Member   | Governance/Audit/Ethics |
|----------------------|--------|---|---|---------------------------|---|-------------------------|
| <b>20 April 2020</b> |        |   |   |                           |   |                         |
| 1.                   | C3686  | 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              | Councillor Howard Woollaston<br>Internal Governance | Governance              |
| 2.                   | C3687  | Monitoring Officer's Annual Report to the Governance and Ethics Committee –2019/20 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              | Councillor Howard Woollaston<br>Internal Governance | Ethics                  |
| 3.                   | GE3637 | External Audit Opinion 2018/19  | To provide Members with the Final Annual Audit Letter 2018/19 from external auditor. The audit letter summarises the outcome from their audit work at West Berkshire Council in relation to the 2018/19 audit year. | Shannon Coleman Slaughter | Councillor Ross Mackinnon<br>Finance                | Audit                   |
| 4.                   | GE3688 | Internal Audit Plan 2020/21   | To outline the proposed internal audit work programme for the next three years  | Julie Gilhespey           | Councillor Howard Woollaston<br>Internal Governance | Audit                   |
| 5.                   | GE3689 | External Audit Plan 2020-21   | To provide Members with a copy of the External Audit Plan for 2020-21   | Shannon Coleman-Slaughter | Councillor Howard Woollaston<br>Internal Governance | Audit                   |
| 6.                   | GE3690 | Internal Audit – Interim Report 2019-20   | To update the Committee on the outcome of internal audit work.  | Julie Gilhespey           | Councillor Howard Woollaston                        | Audit                   |

| No.                 | Ref No | Item  | Purpose   | Lead Officer              | Lead Member   | Governance/Audit/Ethics |
|---------------------|--------|---|---|---------------------------|---|-------------------------|
|                     |        |   |   |                           | Internal Governance                                 |                         |
| <b>16 June 2020</b> |        |   |   |                           |   |                         |
| 7.                  | GE3819 | Strategic Risk Register Update Q4 2019/20           | To provide an update with progress.   | Catalin Bogos             | Councillor Howard Woollaston<br>Internal Governance | Audit                   |
| <b>27 July 2020</b> |        |   |   |                           |   |                         |
| 8.                  | GE3820 | West Berkshire Council Financial Statements 2019/20 | To provide Members with the final copy of the Council's Financial Statements  | Andy Walker               | Councillor Ross Mackinnon<br>Finance                | Audit                   |
| 9.                  | GE3821 | Internal Audit Annual Assurance Report 2019/20      | The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council.              | Julie Gilhespey           | Councillor Howard Woollaston<br>Internal Governance | Audit                   |
| 10.                 | GE3822 | Financial Year 2019/20 Going Concern Assessment     | This report summarises the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2019/20. | Shannon Coleman-Slaughter | Councillor Ross Mackinnon<br>Finance                | Audit                   |
| 11.                 | GE3823 | Annual Governance Statement                         | To allow the committee to review the Annual Governance Statement before it is signed by the Leader and Chief Executive  | Andy Walker               | Councillor Howard Woollaston<br>Internal Governance | Audit                   |
| 12.                 | GE3824 | External Audit Fee 2020-21                          | To present to members the Audit Fee Letter for 2020/21 from Grant Thornton. The letter sets out the fee for the audit in line with the  | Shannon Coleman-Slaughter | Councillor Howard Woollaston<br>Internal Governance | Audit                   |

| No.                      | Ref No | Item                                  | Purpose  | Lead Officer    | Lead Member   | Governance/Audit/Ethics |
|--------------------------|--------|---------------------------------------|--|-----------------|---|-------------------------|
|                          |        |                                       | prescribed scale fee set by the Public Sector Audit Appointments Ltd (PSAA). |                 |   |                         |
| <b>07 September 2020</b> |        |                                       |  |                 |   |                         |
| 13.                      | GE3864 | Internal Audit Interim Report 2020/21 | To update the Committee on the outcome of internal audit work.               | Julie Gilhespey | Councillor Howard Woollaston<br>Internal Governance | Audit                   |
| <b>23 November 2020</b>  |        |                                       |  |                 |   |                         |
| 14.                      |        |                                       | No items to date   |                 |   |                         |
| <b>01 February 2021</b>  |        |                                       |  |                 |   |                         |
| 15.                      |        |                                       | No items to date   |                 |   |                         |
| <b>19 April 2021</b>     |        |                                       |  |                 |   |                         |
| 16.                      |        |                                       | No items to date   |                 |   |                         |

This page is intentionally left blank

## The Audit Findings for West Berkshire Council – Financial Year Ended 31 March 2019

|   |                                 |
|---|---------------------------------|
| <b>Committee considering report:</b>        | Governance and Ethics Committee |
| <b>Date of Committee:</b>                   | 10.2.20                         |
| <b>Portfolio Member:</b>                    | Councillor Ross Mackinnon       |
| <b>Date Portfolio Member agreed report:</b> | 30.1.20                         |
| <b>Report Author:</b>                       | Shannon Coleman-Slaughter       |
| <b>Forward Plan Ref:</b>                    | GE3828a                         |

### 1. Purpose of the Report

This report provides members with the draft audit findings report provided by Grant Thornton in respect of their external review of the 2018/19 Financial Statements.

### 2. Recommendation

No decision is required, members are to note the report.

### 3. Implications and Impact Assessment

| Implication      | Commentary   |                |                 |                   |
|------------------|--|----------------|-----------------|-------------------|
| Financial:       | Not applicable   |                |                 |                   |
| Human Resource:  | Not applicable   |                |                 |                   |
| Legal:           | Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditors are required to report whether, in their opinion, the Council's financial statements: <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> |                |                 |                   |
| Risk Management: | Not applicable   |                |                 |                   |
| Property:        | Not applicable   |                |                 |                   |
| Policy:          | Not applicable   |                |                 |                   |
|                  | <b>Positive</b>  | <b>Neutral</b> | <b>Negative</b> | <b>Commentary</b> |
| Equalities       |  |                |                 |                   |

|  |  |   |  |  |
|--|--|---|--|--|
| <b>Impact:</b>   |  |   |  |  |
| <b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?               |  | X |  |  |
| <b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users? |  | X |  |  |
| <b>Environmental Impact:</b>   |  | X |  |  |
| <b>Health Impact:</b>  |  | X |  |  |
| <b>ICT or Digital Services Impact:</b>   |  | X |  |  |
| <b>Council Strategy Priorities or Business as Usual:</b>   |  | X |  |  |
| <b>Data Impact:</b>  |  | X |  |  |
| <b>Consultation and Engagement:</b>  | Joseph Holmes (Executive Director for Resources, S151 Officer)<br>Andy Walker (Head of Finance & Property) |   |  |  |

## 4. Executive Summary

- 4.1 This report provides members with the draft audit findings report provided by Grant Thornton in respect of their external review of the 2018/19 Financial Statements.
- 4.2 The Council's appointed external auditors are required under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), to report on, in their opinion, if the Council's financial statements:
- (a) Give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and
  - (b) have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

- 4.3 The external auditors are also required to report on whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is not materially inconsistent with the financial statements or knowledge obtained in the process of the audit, or otherwise appears to be materially misstated.
- 4.4 The external audit of the 2018/19 Financial Statements was commenced in July 2019.
- 4.5 The draft audit findings report produced by Grant Thornton is included in appendix A.
- 4.6 The draft opinion per the attached draft findings report as supplied by Grant Thornton is:

“Our work is ongoing and there are no matters of which we are aware, from the work to date, that would require modification of our audit or material changes to the financial statements, subject to the completion of testing in the following areas:

- Completion of revaluations review and review of valuers information
- Confirmation of the pension liability to supporting record and the actuary report
- Review and understanding of adjustment to MRP
- Consideration and review of the prior period adjustment and the required disclosures
- Receipt of management representation letter; and
- Review of the final set of financial statements including adjustments for the McCloud judgement and updated PPE valuation.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified”.

- 4.7 A number of recommendations have been made within the draft findings report primarily relating to fixed asset accounting. Provisional management responses from the Council are also included within the report.

## **5. Supporting Information**

Supporting information is detailed in appendix A.

### **Proposals**

No proposals are made within this report. Members are to note the report only.

## **6. Other options considered**

- 6.1 None, report is to note only.

## **7. Conclusion**

- 7.1 The draft opinion per the attached draft findings report as supplied by Grant Thornton is to be noted.

## 8. Appendices

Appendix A – The Audit Findings for West Berkshire Council Year Ended 31 March 2019 (Issued by Grant Thornton)

---

### Background Papers:

None

---

### Subject to Call-In:

Yes:  No: X

Report is to note only X

---

### Wards affected: All

---

### Officer details:

Name: Shannon Coleman-Slaughter  
Job Title: Chief Financial Accountant  
Tel No: 01635 519225  
E-mail Address: Shannon.colemanslaughter@westberks.gov.uk

---



# The Audit Findings for West Berkshire Council

## DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

Page 13  
Year ended 31 March 2019  
3 February 2020



# Contents



## Your key Grant Thornton team members are:

Barrie Morris

Key Audit Partner

T: 0117 305 7708

E: barrie.morris@uk.gt.com

David Johnson

Engagement Manager

T: 0117 305 7727

E: david.a.johnson@uk.gt.com

Liam Royle

In Charge Accountant

T: 0117 305 7687

E: liam.c.royle@uk.gt.com

## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

## Page

- 3
- 4
- 16
- 20

## Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Berkshire Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

| Financial Statements |  |  |
|----------------------|--|--|
|                      | <p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is not materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our audit work has been ongoing on-site from July <a href="#">and has continued in January 2020</a>. Our findings to date are summarised on pages 4 to 13. <a href="#">We have identified a number of adjustments and work with Property Plant and Equipment (PPE) identified a prior period error that has required a prior period adjustments. Material adjustments have been identified in the primary statements as follows:</a></p> <ul style="list-style-type: none"> <li>• <a href="#">£65.959m in the CIES for revaluation of fixed assets</a></li> <li>• <a href="#">£65.959m in the Movement in Reserves statement as a result of the CIES adjustment</a></li> <li>• <a href="#">£65.178m in PPE as a result of the revaluation update</a></li> <li>• <a href="#">£6.043m in short term creditors</a></li> <li>• <a href="#">£6.390m in long term liabilities</a></li> <li>• <a href="#">£65.354m in unusable reserves.</a></li> </ul> | <p>These, and other audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is ongoing and there are no matters of which we are aware, from the work to date, that would require modification of our audit or material changes to the financial statements, subject to the completion of testing in the following areas;</p> <ul style="list-style-type: none"> <li>- completion of revaluations review and review of valuers information</li> <li>- confirmation of the pension liability to supporting record and the actuary report</li> <li>- <a href="#">Review and understanding of adjustment to MRP</a></li> <li>- <a href="#">Consideration and review of the prior period adjustment and the required disclosures</a></li> <li>- receipt of management representation letter; and</li> <li>- review of the final set of financial statements including adjustments for the McCloud judgement and <a href="#">updated PPE valuation</a>.</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p> |

## Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Berkshire Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

|                                     |   |  |
|-------------------------------------|---|--|
| <b>Value for Money arrangements</b> | Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').         | We have completed our risk based review of the Council's value for money arrangements. We have concluded that West Berkshire Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources<br><br>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 17. |
| <b>Statutory duties</b>             | The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• to certify the closure of the audit.</li> </ul> | We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion  |

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 15 April 2019

## Conclusion

Our audit of your financial statements is ongoing and subject to outstanding queries, outlined on the previous page, being resolved and completed, we anticipate issuing an unqualified audit opinion following the Governance and Ethic Committee meeting as detailed in Appendix E.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality calculations remain the same as reported in our audit plan

|   | Council Amount (£) | Qualitative factors considered   |
|---|--------------------|--|
| Materiality for the financial statements    | 5,040,000          | Materiality has been based on 1.5% of the Authority's gross expenditure  |
| Performance materiality                     | 3,780,000          | Our performance materiality has been set at 75% of our overall materiality   |
| Trivial matters                             | 252,000            | This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.   |
| Materiality for Senior Officer Remuneration | 20,000             | The senior officer remuneration disclosure in the statement of accounts has been identified as an area requiring lower materiality due to its sensitive nature. Materiality has been set for this at £20,000 |

# Significant findings – audit risks

## Risks identified in our Audit Plan

### The revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including West Berkshire Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for West Berkshire Council.

## Commentary

### Auditor commentary

As per the audit plan this risk has been rebutted. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Berkshire Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, in summary because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of Local Government authorities, including West Berkshire Council means that all forms of fraud are difficult to rationalise i.e. the culture and ethics mitigate against fraud being seen as acceptable

This assessment is made without placing specific reliance on the entity-level controls which we have identified at West Berkshire Council, but consideration of these controls confirms the appropriateness of our assessment.

### **There have been no changes to our assessment as reported in our Audit Plan**

## Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.

Management over-ride of controls is a risk requiring special audit consideration.

## Auditor commentary

We have performed the following work in respect of this risk:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates and significant unusual transactions

**Our audit work has not identified any issues in respect of management override of controls.**

# Significant findings – audit risks

## Risks identified in our Audit Plan

### Valuation of property, plant and equipment

The Council revalues its land and buildings on an rolling basis, with assets revalued at least every five years, to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Commentary

### Auditor commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding

### Audit Findings

Our work in this area is ongoing and will include an evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Testing to date has identified that the Council had not included an analysis of revaluations and the date at which they had been valued at fair value. The Council has now prepared this and this indicates that there is a large balance (£11.1m) where valuations have not been undertaken within the last five years. The Council has provided a number of explanations for this and we have requested that this is verified by the Council's valuer.

Further review of the assets not subject to revaluation has identified that a material balance exists and the Council have undertaken a further exercise to identify the value of these assets and has employed a qualified valuer to provide updated values. These have been reflected in the accounts and have resulted in an upward material adjustment of £64.850m in the balance sheet.

Review of PPE opening balances identified a number of assets that have been erroneously included, either through duplication or through failure of the Council to derecognise properties that had previously been disposed. These assets have a value of £12m and a prior period adjustment of £4.764m has been in order to correctly disclose the opening value of PPE assets.

We continue to review the updates provided by the Council and the Valuer to gain assurance that the revalued assets have been appropriately included in the updated financial statements and that there are no material assets that have not been appropriately revalued.

**We will continue to review this area and report any findings to the Governance and Ethics Committee.**

# Significant findings – audit risks

## Risks identified in our Audit Plan

### Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Commentary

### Auditor commentary

We:


- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- [obtained assurances from the auditor of Berkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.](#)

Our audit work, whilst not complete, has not identified any issues in respect of the Pension Fund net liability, except for the impact of the McCloud judgement resulting in adjustments to the Council's IAS 19 pension liability. More information on this adjustment is provided on page 21. This adjustment, totalling £4.825 million, has been made to the final version of the financial statements. We are currently reviewing this adjustment to gain assurance that the basis is reasonable.





.



## Significant findings – key judgements and estimates

|   | Summary of management's policy   | Audit Comments  | Assessment  |
|---|--|---|---|
| <b>Land and Buildings – Other - £251.426m</b> | <p>Other land and buildings comprises £251.426m of assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The Authority has engaged Wilks Head and Eve LLP to complete the valuation of properties as at 31 March 2019. £50.7m of the assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £5.048m. The Authority values assets on a five year rolling programme of revaluations in order to ensure that all revalued assets falling under the same class are assessed at the same time.</p> | <ul style="list-style-type: none"> <li>We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity the valuer in their capacity as the management experts used.</li> <li>We reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding and challenged key assumptions where appropriate.</li> <li>The draft statement of accounts did not include a disclosure showing the value of assets revalued in the year and therefore we were requested that this be included in the updated accounts. This has now been done and we are currently reviewing thus disclosure to ensure that it complies with the Code.</li> <li>Further review of balances noted a number of assets that had not been subject to revaluation and identified that a material balance exists. The Council have undertaken a further exercise to identify the value of these assets and has employed a qualified valuer to provide updated values. These have been reflected in the updated draft accounts and have resulted in an upward material adjustment of £64.850m in the balance sheet.</li> <li>Review of PPE opening balances identified a number of assets that have been erroneously included, either through duplication or through failure of the Council to derecognise properties that had previously been disposed. These assets have a value of £12m and a prior period adjustment of £4.764m has been in order to correctly disclose the opening value of PPE assets.</li> <li>Our review of the Council's processes for estimating the value of land and buildings in the statement has identified a number of material misstatements. Based on this work and the point noted above it is audit's opinion that the Councils estimation processes underpinning the statement of accounts are not adequate. We note that the Council has subsequently updated the accounts to reflect the changes.</li> </ul> <p><b>Subject to review of the updated revaluations disclosure we are satisfied that the Council has adopted an appropriate approach.</b></p> | <br><b>Red</b> |

### Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## Significant findings – key judgements and estimates


|                            | Summary of management's policy   | Audit Comments  | Assessment                                      |
|----------------------------|--|---|---|
| <b>Level 2 investments</b> | <p>The Council has investments in a number of investment properties that are valued on the balance sheet as at 31 March 2019 at £75.622m. The investments are not traded on an open market and the valuation of the investment is subjective. In order to determine the value, management have employed Wilks Head and Eve LLP and Carter Jonas as management experts. The valuation was based on the market approach and are classed as Level 2 which have taken the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date. The value of the investment has increased by £49.599m in 2018/19 due to the purchase of additional properties with a value of £47.205m and net gains from fair value adjustments of £2m.</p> | <ul style="list-style-type: none"> <li>We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity the valuer in their capacity as the management experts used.</li> <li>We reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding and challenged key assumptions where appropriate.</li> <li>We tested revaluations made during the year to ensure they are input correctly into the asset register and subsequently recorded in the financial statements.</li> </ul> <p>We noted that two investment properties purchased in March 2018 had not been included within the revaluations. This does not comply with the requirements of the code and an action point has been raised. <a href="#">The Council have subsequently reviewed their treatment of these assets and a further valuation has been undertaken which has resulted in a £323k upward adjustment to Investment Properties on the balance sheet.</a></p> | <p style="text-align: center;">●<br/>Yellow</p> |

### Assessment





- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

Page 23

| Summary of management’s policy   | Audit Comments   | Assessment  |            |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |
|--|--|---|------------|------------|---------------|-----------|------------|---------------|------|-------------|------------|-----------------------|------|-------------|------------|---------------|-------|-----------------------|------------|--|-----------|-------------------------|------------|--|-----------|---------------------------|------------|
| <p><b>Net pension liability – £88.016m</b></p> <p>The Council’s total net pension liability at 31 March 2019 is £88.016 million (PY £101.077 million) comprising the Berkshire Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council’s assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3.707 million net actuarial gain during 2018/19.</p> | <ul style="list-style-type: none"> <li>We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place.</li> <li>We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> </ul> | <br><b>Green</b> |            |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |
| <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4% - 2.5%</td> <td style="text-align: center;">●<br/>Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.4%</td> <td>2.4% - 2.5%</td> <td style="text-align: center;">●<br/>Green</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>Dependent on employer</td> <td style="text-align: center;">●<br/>Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>23.7 / 22</td> <td>22.2 – 25.0 / 20.6-23.4</td> <td style="text-align: center;">●<br/>Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.8 / 24</td> <td>25.0 - 26.6 / 23.2 - 24.8</td> <td style="text-align: center;">●<br/>Green</td> </tr> </tbody> </table>                        |  |   |            | Assumption | Actuary Value | PwC range | Assessment | Discount rate | 2.4% | 2.4% - 2.5% | ●<br>Green | Pension increase rate | 2.4% | 2.4% - 2.5% | ●<br>Green | Salary growth | 3.90% | Dependent on employer | ●<br>Green | Life expectancy – Males currently aged 45 / 65 | 23.7 / 22 | 22.2 – 25.0 / 20.6-23.4 | ●<br>Green | Life expectancy – Females currently aged 45 / 65 | 25.8 / 24 | 25.0 - 26.6 / 23.2 - 24.8 | ●<br>Green |
| Assumption   | Actuary Value  | PwC range   | Assessment |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |
| Discount rate  | 2.4%   | 2.4% - 2.5%   | ●<br>Green |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |
| Pension increase rate  | 2.4%   | 2.4% - 2.5%   | ●<br>Green |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |
| Salary growth  | 3.90%  | Dependent on employer   | ●<br>Green |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |
| Life expectancy – Males currently aged 45 / 65   | 23.7 / 22  | 22.2 – 25.0 / 20.6-23.4   | ●<br>Green |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |
| Life expectancy – Females currently aged 45 / 65   | 25.8 / 24  | 25.0 - 26.6 / 23.2 - 24.8   | ●<br>Green |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |
| <ul style="list-style-type: none"> <li>We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identified any inconsistencies.</li> <li>The Authority has considered that the impact of GMP equalisation is not material to the Statement of Accounts. Based on our review of this area we concur with this view.</li> <li><a href="#">We have worked through the McCloud adjustments and gained assurance that the basis for the adjustments are reasonable.</a></li> </ul>  |  |   |            |            |               |           |            |               |      |             |            |                       |      |             |            |               |       |                       |            |  |           |                         |            |  |           |                           |            |

**Assessment**

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
-  We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

## Significant matter

## Commentary

### Impact of the McCloud judgement

The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.

The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits

In light of this decision, the Council requested from their actuary a full detailed IAS19 report to include an assessment of the McCloud liability.

This has identified an additional liability as at 31 March 2019 of £4.825 million in relation to the McCloud adjustment of the Local Government Pension Scheme, with an additional projected service cost for 2019/20 of £xx million.

The Council has adjusted for this in the final accounts.

### Auditor view

We received the revised IAS 19 calculation from the Council on 12 July and [are have worked through this to gain assurance that the basis of the adjustment is reasonable.](#)

[We have reviewed the adjustments and consider them to be reasonable.](#)

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

Management have undertaken a going concern assessment which has considered the following areas

- Current Financial Position
- Projected Financial Position
- The balance sheet
- Cash flow
- Governance arrangements
- The regulatory and control environment

The authority has a medium term financial plan (MTFP) that runs to 2020/21 and considers the impact on the Council's finances and requirements to close budget gaps.

The CIPFA code confirms that entities should prepare their financial statement on a going concern basis unless the services provided are to cease. There is no indication from Government that the services provided will cease within the next 12 months

### Auditor commentary

- Management have determined that there is no evidence of an intention to cease the provision of services, and have therefore, adopted the going concern assumption. We have not identified any issues through our review and enquiries that suggest this is not appropriate
- We are satisfied that the going concern assumption is appropriate for the Authority's financial statement and is in line with accounting standards and the CIPFA code.

## Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

|   | Issue   | Commentary   |
|---|---|--|
| 1 | <b>Matters in relation to fraud</b>                             | We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.  |
| 2 | <b>Matters in relation to related parties</b>                   | We are not aware of any related parties or related party transactions which have not been disclosed  |
| 3 | <b>Matters in relation to laws and regulations</b>              | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.   |
| 4 | <b>Written representations</b>                                  | A standard letter of representation has been requested from the Authority, which is included in the Audit Committee papers.  |
| 5 | <b>Confirmation requests from third parties</b>                 | <ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> <li>We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have not yet received the final response from the pension fund auditor and will require this prior to issuing our opinion</li> </ul> |
| 6 | <b>Disclosures</b>  | <ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>  |
| 7 | <b>Audit evidence and explanations/significant difficulties</b> | <ul style="list-style-type: none"> <li>All information and explanations requested from management were provided.</li> <li>We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.</li> </ul>   |

## Other responsibilities under the Code

| Issue  | Commentary  |
|--|---|
| ① <b>Other information</b>                                     | <p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>       |
| ② <b>Matters on which we report by exception</b>               | <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p> |
| ③ <b>Specified procedures for Whole of Government Accounts</b> | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold.</p>  |
| ④ <b>Certification of the closure of the audit</b>             | <p>We intend to certify the closure of the 2018/19 audit of West Berkshire Council in the audit opinion, as detailed in Appendix E.</p>   |

# Value for Money

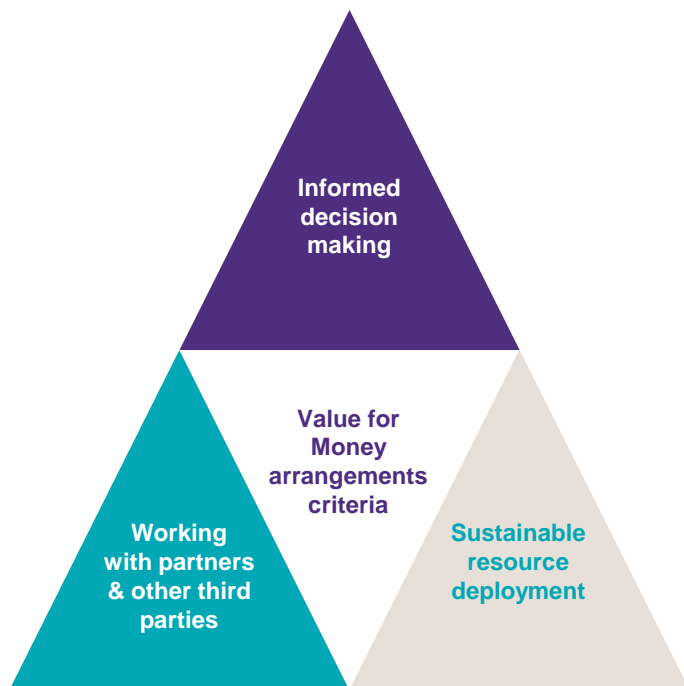
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2019 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 18 February 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risk determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.



# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The implication of the costs and savings within the framework of the medium term financial strategy and the ongoing savings required as result of financial pressures
- The appropriateness of the Council's investment strategy including the purchase of new properties in 2018-19 as way to generate income to assist in the delivery of ongoing services
- The governance and decision making arrangements by the Council to ensure those charged with governance are provided with appropriate and adequate information to direct the Council's strategy

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 16 to 17

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

### Findings

#### Financial Sustainability

The Council has set a revenue budget for 2018/19 of £119.4m which includes a savings and income programme of £5.2m. At month 9 the Council is forecasting a £0.25m overspend after the use of the risk reserve (£812k) and the risk provision (£500k). This figure includes a number of mitigation strategies which includes in year reduction of expenditure and looks to address the key areas of overspend.

The main driver of the forecast overspend is the Communities Directorate which is forecasting an overspend of £2.8m of which £2.1m relates to Adult Social Care. The demand led service continues to face further pressures with the recent closure of a number of care homes and an increasing number of the elderly population becoming eligible for Council support.

The original budget included risk reserves of which £1.3m could be used to mitigate further any overspend and at the same time there is a £768k risk management reserve. The Council has yet to decide whether to utilise these reserves and is looking to reduce the overspend through other means such as reduction of expenditure.

As noted in the Medium Term Financial Plan the Council's costs grow each year as a result of inflation, salary increases and changes to pension contributions. Added to this the increased demand and new responsibilities in adult social care and the forecast levels of funding means that the Council would be facing a funding gap of £23m by 2020/21 before considering Council Tax increases or savings plans

There is a risk that the Council will be unable to mitigate the overspend against the budget and in particular Adult Social Care. This could lead to further pressure on the 2019/20 budget.

Over the eight previous years, prior to 2018/19 the Council has had to find £55m of revenue savings which has been achieved through a combination of finding efficiencies, making staff reductions, transforming services and generating income. The 2017/18 outturn showed an overspend of £276k against a net revenue budget of £117.4m which was caused by an overspend in Communities offset against underspends in Economy and Environment and Resources. In order to meet funding available the revenue budget included £4.712m savings and income generation. This programme was monitored throughout the year and 93% (£4.4m) of all savings were delivered.

The 2018/19 budget was £119.4m which included a savings an income programme of £5.2m. The 2018/19 budget notably included an increase in the Communities budget, the service line responsible for managing demand led services, of 10.7% (£6.55m) to allow for the known pressures within the service. This is indicative that the Council is aware of the issues and financial pressures that it faces and has looked to budget accordingly based on realistic assumptions and prior period information. Notably the budget identifies budget pressures on a line by line basis and these include:

- Increase in waste costs due to expansion of housing within the Borough
- Adult Social Care modelled inflationary increases
- Adult Social care commissioning costs
- Children's placement budgets

It further notes the pressures applied to funding sources and that 75% of all funding is received from Council Tax. The pressure on income has been relieved slightly by the inclusion of Berkshire in the latest business rate retention pilot that allows the County to retain 75% of all business rates collected

Alongside the revenue budget the Council also maintains a Property Investment Strategy which was adopted by the council on 9<sup>th</sup> May 2017. The strategy identifies a number of key metrics that drive decision making which include:

- Asset categorisation including a net yield of over 6% which can be lower for key factors such as a very strong tenant covenant or and unexpired lease term of 9 years or more
- Geographical weighting with greater weight being allocated to those assets in the South East with a spread within a number of regions to smooth potential poor performance in an individual area
- A mixed portfolio between industrial, retail and offices to provide protection from over exposure in one specific area.

The property investment strategy is a central tenant of the Council's overall strategy to ensure the continued delivery of service and to close the gap within the MTFS. The Property Strategy in place demonstrates that the Council have considered what the key metrics are and how they will manage and monitor the portfolio. The strategy outlines that Montagu Evans, as specialists, will be employed to identify opportunities and will also be asked to partake in quarterly and annual reviews. The competition within the market is robust and therefore the Council need to ensure that they remain flexible in their approach

The Q1 outturn forecast report notes that the forecast is a £1.3m overspend mainly due to overspends in Communities.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

### Findings

The overspend is due to pressures over and above those modelled within the budget and is reflective of a national issues facing those Council's who are responsible for delivering Adult Social Care. Mitigations to address the issue have been put in place including the slowing of expenditure through restrictions on spend, and in particular within Adult Social Care, by enforcing tighter approval processes.. The Council also maintains a number of risk reserves and the current position does not factor in the use of these earmarked reserves. These are approximately £966k which reduce the overspend to £334k.

At Q2 the forecast outturn remained at £1.3m overspend and again the issues facing the Council are the same that it was addressing at the end of Q1. There continued to be pressures facing Adult Social Care over and above the modelled forecast and the same mitigations still applied. The continued pressure against the modelled forecast raises questions over the accuracy of the original assumptions and whether this is fit for purpose.

At Q3 the Council's forecast outturn position is a £250k overspend which is a £1m reduction from the previous forecast position reported to members. This was achieved through the slowing of expenditure and the release of £500k from the risk management budget and £812k from available risk reserves. Whilst there has been some improvement the Council still face pressures from Adult Social Care services and this continued pressure will need to be addressed for future budgeting processes. Further pressure on the position arose due to the Council forecasting to deliver only 78% of savings. This left a further shortfall of £1.1m which again will be mitigated by the use of risk reserves and capital flexibilities under the capital flexibilities programme.

The outturn (Q4) showed that the Council had faced a potential £3.3m overspend which was mitigated through £1.7m in slowdown, £912k in use of reserves and £850k in capital flexibilities to deliver a balanced budget at year end. There continues to be large overspend in Communities predominantly around Adult Social Care and this will remain the biggest challenge to the Council going forward. There has, however, been a minimal impact on reserves, through the Council's management of the overspend. Therefore, reserves remain at an adequate level.

### Conclusion

The Council have delivered a balanced budget with a small impact on reserves although it is noted that the reserves used were identified to mitigate the risk of overspending against the budget. There has been no impact on the general fund reserves and these remain at an adequate level for the Council.

The continued overspend in Adult Social Care, over and above the modelled forecast, indicates that the processes and assumptions for identifying these increases is not robust enough and should be revisited to ensure these are realistic and provide assurances that the budget is appropriate for the service delivery.

The Property Investment Strategy has delegated authority to make investment decisions to the Performance Investment Board. Whilst this is appropriate the minutes of these meetings are not public and it is not clear what information members receive in regards to decisions made or whether they are aware of investments that have not been actioned. Further, the link with financial performance through the finance reporting to Executive is not clear and therefore it is not possible to ascertain whether members receive information in a timely manner to allow robust challenge of decision making. We have raised recommendations in regards to these areas.

**We conclude that the Council have appropriate arrangements in place for achieving value for money.**

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets

Details of fees charged are detailed in Appendix D

## **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified.

# Action plan

We have identified eight recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

|   | Assessment  | Issue and risk   | Recommendations   |
|---|-------------|--|---|
| 1 | ●<br>Medium | The Council have a number of Investment Properties that should be revalued every year as per the requirements of the code. The Council have two investment properties purchased in March 2018 that have not been revalued in 2018-19 and therefore are not compliant with the Code | <p>The Council should ensure that all investment properties are revalued in the financial year to ensure compliance with code requirements.</p> <p><b>Management response</b></p> <p>Six investment properties were not revalued as per code guidance. Four properties were purchased during 2018/19, one in March 2018, on this basis the management decision was taken not to revalue the properties. Two properties related to purchases in 2017/18, one of which was actually a deposit and not a full purchase. The Council has reviewed its processes and procedures in place for the valuation of assets including investment properties, moving forward all investment properties will be revalued in compliance with the code.</p> |
| 2 | ●<br>Medium | A review of the draft statement of accounts identified a number of disclosures that were not included and disclosures that were not compliant with the requirements of the code including fair value hierarchy and IFRS9 transition requirements                                   | <p>The Council should review the Code and any changes to disclosure requirements as a result of changes in accounting standards to ensure that the draft statement of accounts are compliant before the commencement of the audit</p> <p><b>Management response</b></p> <p>For the 2019-20 closedown process the Council is reworking its project plan to provide further time for review, including an external review prior to the section 151 sign off at the end of May.</p>  |
| 3 | ●<br>Medium | The code requires that Local Authorities disclose the value of assets revalued in the year and the date at which land and building assets were last revalued. This analysis was not included within the statement of accounts and was therefore not code compliant                 | <p>The Council should ensure that the analysis of when assets have been revalued to demonstrate current value is included within the statement of accounts</p> <p><b>Management response</b></p> <p>The Council has revised this analysis in the final set of financial statements for 2018-19 and this work has been built into the project plan for the 2019-20 closedown.</p>  |

## Key

- High priority – Significant effect on Council's control systems or financial environment that requires urgent attention
- Medium priority – There is some impact on Council's control systems or financial environment that requires attention to address in the medium term
- Low priority – To move the Council to best practice

# Action plan

We have identified eight recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment       | Issue and risk   | Recommendations   |
|------------------|--|---|
| 4<br>●<br>Medium | A review of the budget monitoring as part of the VfM conclusion identified significant overspends in Adult Social Care above those modelled as part of the budgeting process. There is a risk that a failure to properly estimate the required service cost could lead to overspends in services and the depletion of reserves as a result.  | <p>The Council should review the modelling process employed to identify future Adult Social Care expenditure to ensure that it is realistic to avoid overspends in the service and potential impact on reserves</p> <p><b>Management response</b></p> <p>The Council has revised its modelling for Adult Social Care and Children's Social Care demand led budgets from 2019-20. The modelling is closely reviewed on a regular basis and has been highlighted in the quarterly reports presented to the Executive and Overview &amp; Scrutiny Management Committee. The budget papers for 2020-21 clearly demonstrate the basis of the social care modelling as well as the current trajectory of spend.</p> |
| 5<br>●<br>Medium | The Council's Performance <b>Investment</b> Strategy does not report to members. The minutes of the meeting are not public and it is unclear as to what is and is not reported to members. Further it is unclear as to how the performance is linked to the financial outturn monitoring and whether there is an opportunity for Members at a Council or Executive level to challenge decisions made | <p>The Council should review the overall reporting arrangements of performance within the Property Investment Strategy. This should include a clear link to financial performance, impact on the revenue budget and disclosure of reasons why opportunities have been taken as well as those rejected</p> <p><b>Management response</b></p> <p>The members of the Property Investment Strategy Board receive quarterly updates from the Council's external advisors which link to the revenue budget position. The strategy has also recently been reviewed by the Overview &amp; Scrutiny Management Committee and a revised Strategy is coming to Full Council on the 3<sup>rd</sup> March.</p>             |

## Key

- High priority – Significant effect on Council's control systems or financial environment that requires urgent attention
- Medium priority – There is some impact on Council's control systems or financial environment that requires attention to address in the medium term
- Low priority – To move the Council to best practice

# Action plan

Page 35

| Assessment         | Issue and risk   | Recommendations   |
|--------------------|--|---|
| 6<br><b>High</b>   | The analysis of when assets were last revalued includes £11.1m of assets that have not been revalued since 2012/13 or prior and 2013/14. Review of the this balance identified assets that are no longer owned by the Council, previous revaluations that had not been correctly processed and assets incorrectly classified. The Code requires that assets are revalued within an appropriate timeline and no more than five years. These assets have not been revalued within this timeline and there is a risk that the variance between the current value and carrying value may be material | The Council should review all assets to ensure that they have been revalued within an appropriate timeframe to ensure that the variance between carrying value and current value is not material.<br><b>Management response</b><br>The Council has revised its processes and procedures for the review and reconciliation of assets held within the Council's central fixed assets register and assets held within the accounting system assets module, with a view to timely identification of discrepancies. A full reconciliation of the two systems is underway which will inform revaluation schedules moving forward in compliance with the code. |
| 7<br><b>Medium</b> | Detailed transaction testing identified a case where supporting document could not be provided and therefore we are unable to confirm that the value has been correctly included. There is a risk that items will be incorrectly disclosed in the accounts leading to a potential overstatement. An unadjusted misstatement has been identified  | The Council should ensure that all supporting documentation is retained and can be accessed when requested in order to provide evidence for figures disclosed within the statement of accounts..<br><b>Management response</b><br>The Council has reviewed its processes and procedures to address compliance issues moving forward.  |
| 8<br><b>High</b>   | Review of PPE opening balanced identified approximately £12m of assets incorrectly included due to either duplication or failure to derecognise assets that have previously been disposed of. This has led to the overstatement of opening balances <a href="#">and has resulted in a Prior Period Adjustment.</a>   | The Council should review the fixed asset register to ensure that all assets included are correctly disclosed and that balances in the statement of account are correctly stated<br><b>Management response</b><br>The Council has revised its processes and procedures for the review and reconciliation of assets held within the Council's central fixed assets register and assets held within the accounting system assets module, with a view to timely identification of discrepancies.   |
| 9<br><b>Medium</b> | Review of PPE opening balances identified a number of assets that the Council has failed to derecognise as a result of disposal. Recognition of these in the 2018/19 accounts has led to the identification of a material balance for disposals  | The Council should review the fixed asset register to ensure that all assets included are correctly disclosed and that balances in the statement of account are correctly stated<br><b>Management response</b><br>The Council has revised its processes and procedures for the review and reconciliation of assets held within the Council's central fixed assets register and assets held within the accounting system assets module, with a view to timely identification of discrepancies.   |

**Key**

- High priority – Significant effect on Council's control systems or financial environment that requires urgent attention
- Medium priority – There is some impact on Council's control systems or financial environment that requires attention to address in the medium term
- Low priority – To move the Council to best practice

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

| Detail   | Comprehensive Income and<br>Expenditure Statement<br>£'000 | Balance Sheet<br>£' 000 | Cash flow Statement<br>£000 | Impact on total net<br>expenditure £'000 |
|--|--|-------------------------|-----------------------------|--|
| 1 The McCloud ruling has required the recognition of further liabilities meaning that the total comprehensive income and expenditure figure is overstated. The charges to the CIES were reversed to the Pension Reserve through the Movement in Reserves Statement. A number of notes to the financial statements were also updated to reflect the updated transactions and balances | 4,825  |                         |                             | 4,825                                    |
| 2 The McCloud ruling has required the recognition of further liabilities meaning that other long term liabilities and unusable reserves are both understated   |  | 4,825                   |                             |  |
| 3 Review of the Cash Flow statement identified that the Council had included NNDR collection twice and had omitted the Council Tax collection which is a £25.545m variance. Further a contribution of £60.129m to Bracknell had been incorrectly omitted.  |  |                         | (34,584)                    |  |
| 4 Errors were identified in the calculation of the taxation figure disclosed in the cashflow statement. This has impact the calculation of sale of goods and rendering of services   |  |                         | 28,560                      |  |
| 5 A number of other errors have been identified in the calculation of balances within the cash flow statement that require adjustment  |  |                         | 1,810                       |  |
| 6 Review of opening balances identified that there were a number of assets incorrectly included due to the Council either failing to remove assets previously disposed of or duplication of assets already included.   |  | (12,000)                |                             |  |



# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

| Detail  | Comprehensive Income and<br>Expenditure Statement<br>£'000 | Balance Sheet<br>£' 000                                  | Cash flow Statement<br>£000 | Impact on total net<br>expenditure £'000 |
|---|--|--|-----------------------------|--|
| 7 There are a number of assets that have not been revalued within the prescribed CIPFA code 5 year period and subsequent revaluation has resulted in an increase in the revaluation of fixed assets                   | -65,959  |  |                             |  |
| 8 There are a number of assets that have not been revalued within the prescribed CIPFA code 5 year period and subsequent revaluation has resulted in an increase in the value of fixed assets                         |  | 64,850   |                             |  |
| 9 There are a number of creditor transactions that relate to payments made subsequent to closure of the general ledger. These should be debtor balances and have been reclassified appropriately in the balance sheet |  | (6,043) Short Term Debtors<br>6,043 Short Term Creditors |                             |  |
| 10 Adjustment to usable reserves to reflect change as a result of the revaluation of fixed assets   |  | (65,355)   |                             |  |
| 11 Reclassification of provision for NNDR appeals incorrectly included within the debtors balance   |  | (1,565) Short Term Debtors<br>1,565 Provisions           |                             |  |
| 12 Adjustment to net cost of services for communities directorate as a result of the revaluation of fixed assets to reflect revaluation and depreciation charges  |  | (4,035)  |                             |  |
| 13 Reclassification, disposals and reclassification changes for investment properties   |  | 328  |                             |  |

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

| Detail   | Comprehensive Income and<br>Expenditure Statement<br>£'000 | Balance Sheet<br>£' 000 | Cash flow Statement<br>£000 | Impact on total net<br>expenditure £'000 |
|--|--|-------------------------|-----------------------------|--|
| 14 Correction for McCloud adjustment including correction for loss on disposal and gross expenditure from revenue account correction |  |                         | 2,309                       |  |
| 15 Correction for inclusion of capital receipt from proceeds from sale of PPE and Investment properties                              |  |                         | 1,000                       |  |
| 16 Correction for inclusion of capital receipt from other payments for financing activities  |  |                         | 1,000                       |  |
| <b>Overall impact</b>  | <b>(£61,134)</b>   | <b>(£11,387)</b>        | <b>£95</b>                  | <b>£(61,134)</b>                         |

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission         | Detail  | Auditor recommendations  | Adjusted? |
|-----------------------------|---|--|-----------|
| <b>IFRS 9 transition</b>    | There has been a change in accounting standards from IAS39 to IFRS9 in 2018/19. This required a disclosure of the adjustments to financial assets and liabilities as a result of the change in accounting standards which was not disclosed in the draft statement of accounts                          | The Council should review the requirements of IFRS 9 and ensure that the disclosures in the statement of accounts are compliant with the new requirements  | ✓         |
| <b>Fair Value Hierarchy</b> | The Council own a number of investment properties which are valued on an annual basis at fair value. This requires a classification based on the observable market inputs used when valuing assets and these assumptions should be disclosed within the statement of accounts as a fair value hierarchy | The Council should ensure that the statement of accounts include a consideration of the fair value hierarchy and the classification of those assets valued at fair value   | ✓         |
| <b>Revaluation table</b>    | There is a code requirement that Local Authorities disclose the value of assets revalued on an annual basis over a five year rolling period.  | The Council should include a disclosure showing the value of assets valued on annual basis over a five year period   | ✓         |
| <b>Asset accrual</b>        | Review of asset accruals identified one asset that related to 2017/18 but had not been accrued for and has been capitalised in 2018/19. The value of the accrual is £41k  | The Council should ensure all accruals are made for the period in which the service or asset relates to<br><br><b>Management response</b><br>The identified discrepancy is minor in value and hence has not been adjusted within the 2018/19 accounts. |           |
| <b>Depreciation</b>         | Review of the depreciation calculation identified that the calculation is based on a reducing balance method and not a straight line basis as disclosed in the statement of accounts  | The Council should ensure that policies disclosed are consistent with the methodology applied in calculating the disclosure  | ✓         |
| <b>Audit Fee</b>            | The Code requires that audit fees disclosed in the accounts agree to the amounts notified by Auditors in line with the PSAA contract. Non audit fees should be disclosed separately   | The Council should ensure that audit fees are appropriately disclosed and reflective of figures reported to members  | ✓         |

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission                            | Detail   | Auditor recommendations   | Adjusted? |
|--|--|---|-----------|
| <b>Employee Remuneration</b>                   | An analysis of employees paid over £50k within 2018-19 identified that these included employees who have left the Council. Per the Code requirements these should not be included  | The Council should remove those employees that have left the Council from the disclosure to ensure compliance with the Code   | ✓         |
| <b>Disclosure of provision for NNDR appeal</b> | The Council had incorrectly classified the provision for the NNDR appeal as part of the bad debt provision netting off short term debtors. This should be disclosed separately as part of the provision disclosure within the statement of accounts  | The provision for the NNDR appeal should be separately disclosed within provisions and not netted   | ✓         |
| <b>Formal letter with valuer</b>               | The Council does not have a formal letter of engagement setting out the scope of work to be undertaken by Wilks Head and Eve as the Council's valuers.   | <p>A formal letter of engagement setting out the scope of the work to be completed and agreed timelines should be agreed with the valuers.</p> <p><b>Management response</b></p> <p>The Council has obtained retrospective confirmation of engagement. The Council acknowledges a formal letter relating to engagement of our external valuers for the financial year 2018/19 could not be provided at the time of the audit. Moving forward the Council will ensure it meets with requirements and a letter of engagement setting out the agreed terms of that engagement is available.'</p> |           |
| <b>Reserves note</b>                           | There is a code requirement that separate disclosure of the capital receipts, capital grants unapplied and pension movements be made within the analysis of unusable reserves. This was not included within the draft statement of accounts  | The Council should ensure all unusable reserve disclosure requirements are included within the statement of accounts  | ✓         |
| <b>PPE disclosure</b>                          | Revaluation adjustments should be disclosed within the Property, Plant and Equipment analysis to show the impact on the CIES statement within the year   | The Council should ensure all PPE disclosures are compliant with the Code   | ✓         |
| <b>Council Tax note – Collection Fund</b>      | Members of the armed services do not pay Council Tax directly to the Council and this is accounted for through the MOD contribution. This contribution of £500k had been recognised within the Collection Fund but had not been recognised in Council Tax Income and therefore this did not reconcile to the collection fund amount. | The Collection fund should be reviewed to ensure that all contributions received have been appropriately recognised within the financial year.  | ✓         |

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission   | Detail   | Auditor recommendations  | Adjusted? |
|---|--|--|-----------|
| <b>Council Tax base did not agree to supporting documentation</b> | Council tax precepts are based on the number of band D properties within a Local Authority's boundary. Testing of the date identified that this did not reconcile to the figures reported in the statement of accounts although there is no impact on the collection fund figures. | The Council should review all the information within the statement of accounts to ensure consistency with underlying data.   | ✓         |
| <b>Transfer of asset from operational to investments</b>          | One asset was transferred from operational assets to investment assets in 2018/19. The Code requires that the asset should be revalued at fair value upon transfer and this has not been undertaken.   | <p>The Council should ensure that revaluations undertaken are in line with the requirements of the code and completed on a timely basis.</p> <p><b>Management response</b></p> <p>The issue is notes and processes and procedures have been reviewed to ensure moving forward revaluations are undertaken in compliance with the code.</p> |           |
| <b>Restatement of Income and Expenditure</b>                      | The council had completed a restatement of prior year figures as a result of issues found in the prior year audit. The Code requires that all restatements are labelled as such and this was not included in the draft account   | The Council should ensure that all prior year restatements are appropriately labelled as such  | ✓         |

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. The misclassifications identified below have a non trivial impact on notes supporting the primary statements. Overall adjustments have been reflected on pages 23 - 25

| Disclosure omission  | Balance (£'000) | Detail  | Adjusted? |
|--|-----------------|---|-----------|
| <b>Note 9 – Expenditure and income analysed by nature – Expenditure Employee Benefits Expenses</b>             | 74,006          | School payroll costs were originally included in other service expenditure and should have been included in employee benefits expenses    | ✓         |
|  | -313            | IAS19 charge costs originally included in other service expenditure and should have been included in employee benefits expenses           |           |
|  | 4,825           | McCloud restatement   |           |
|  | -5,552          | Agency costs were originally included in other service expenditure and should have been included in employee benefits expenses            |           |
| <b>Note 9 – Expenditure and income analysed by nature – Expenditure Other Services Expenses</b>                | -74,006         | School payroll costs were originally included in other service expenditure and should have been included in employee benefits expenses    | ✓         |
|  | 313             | IAS19 charge costs originally included in other service expenditure and should have been included in employee benefits expenses           |           |
|  | 5,552           | Agency costs were originally included in other service expenditure and should have been included in employee benefits expenses            |           |
| <b>Note 9 – Expenditure and income analysed by nature – Expenditure Depreciation, Amortisation, Impairment</b> | -4,161          | Adjustments as a result of the revaluation exercise undertaken following review of fixed assets   | ✓         |
| <b>Note 20 – Movements in Property, Plant &amp; Equipment</b>  | -8,580          | Items incorrectly included in the opening balances for 2018/19 and subsequently disposed of.  | ✓         |
|  | 37,240          | Movement as a result of the revaluation exercise undertaken following review of fixed assets  |           |
|  | -419            | Reclassification between categories   |           |
|  | 427             | Additional depreciation as a result of revaluation exercise   |           |
|  | 32,362          | Depreciation written out of the revaluation reserve as a result of the revaluation exercise undertaken following a review of fixed assets |           |

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. The misclassifications identified below have a non trivial impact on notes supporting the primary statements. Overall adjustments have been reflected on pages 23 - 25

| Disclosure omission                    | Balance (£'000)  | Detail  | Adjusted? |
|--|------------------|---|-----------|
| <b>Note 24 – Capital Expenditure</b>   | 6,027<br>-6,027  | MRP calculation originally include the loans principal repaid in the year. This is not part of the calculation and has been reclassified  | ✓         |
| <b>Note 25 – Financial Instruments</b> | -1,818<br>1,818  | Debtors held at amortised costs included cash in transit that has been moved from creditors to reduce debtors to reflect payments made after the closure of the general ledger  | ✓         |
| <b>Note 29 – Debtors</b>               | -6,043<br>1,565  | Cash in transit adjustment to reflect payments of transactions post the closure of the general ledger<br>Adjustment for NNDR provisions for appeals that were included within debtors rather than as a separate provision | ✓         |
| <b>Note 30 – Creditors</b>             | 6,043            | Cash in transit adjustment to reflect payments of transactions post the closure of the general ledger   | ✓         |
| <b>Note 31 – Provision</b>             | -1,565           | Adjustment for NNDR provisions for appeals that were included within debtors rather than as a separate provision  | ✓         |
| <b>Note 32 – Unusable Reserves</b>     | -65,875<br>4,825 | Adjustment to reserves to reflect the change in value of fixed assets as a result of the revaluation exercise<br>McCloud adjustment   | ✓         |
| <b>Note 32 – Revaluation reserve</b>   | -65,959          | Adjustment to reserves to reflect the change in value of fixed assets as a result of the revaluation exercise   | ✓         |

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. The misclassifications identified below have a non trivial impact on notes supporting the primary statements. Overall adjustments have been reflected on pages 23 - 25

| Disclosure omission  | Balance (£'000) | Detail   | Adjusted? |
|--|-----------------|--|-----------|
| <b>Note 32 – Capital Adjustment Account</b>                      | -6,629          | Reclassification of loan principal repaid incorrectly included within the MRP calculation  | ✓         |
|  | 602             | Reclassification of MRP following review and reclassification of the loan principal repaid incorrectly included  |           |
|  | 6,027           | Reclassification of annuity loan principle following reclassification of loan principal repaid   |           |
|  | -5,252          | Reclassification between the external funding of REFCUS and REFCUS assets charged in line with the requirements of the code  |           |
|  | 5,252           |  |           |
|  | -3,734          | Adjustment to impaired assets as a result of the fixed assets revaluation exercise   |           |
| <b>Note 35 – PFI</b>   | -482            | Correction of depreciation   | ✓         |
| <b>Note 36 – Retirement benefit</b>                              | 4,825           | Correction for McCloud review. Adjustment is between past service cost, including curtailments and present value of liabilities. There is a further adjustment between reversal of net charges made to surplus or deficit on the provision of services for post employment benefits and past service costs, including curtailments | ✓         |
|  | -4,825          |  |           |
| <b>Note 37 – Net Cashflow – Contribution to/(from) reserves</b>  | -1,358          | Adjustment on the increase/decrease between debtors and creditors and removal of adjustment in original draft statements   | ✓         |
| <b>Note 37 – Net Cashflow – (increase)/decrease in debtors</b>   | -6,696          | Movement from provision from bad debts within debtors to provision to reflect correct disclosure as per the Code   | ✓         |
| <b>Note 37 – Net Cashflow – Increase/(decrease) in creditors</b> | 6,057           | Movement as a result of cash in transit correction for transactions that occurred post the closing of the general ledger   | ✓         |



# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. The misclassifications identified below have a non trivial impact on notes supporting the primary statements. Overall adjustments have been reflected on pages 23 - 25

| Disclosure omission                                      | Balance (£'000) | Detail  | Adjusted? |
|--|-----------------|---|-----------|
| <b>Collection Fund I&amp;E Account</b>                   | 500             | Reclassification of contribution from Ministry of Defence to reflect correct treatment in line with the code  | ✓         |
|  | -500            |   |           |
| <b>Note 43 – MOD contribution in lieu of Council Tax</b> | -500            | As per the code the MOD make a contribution in lieu of Council Tax which should be disclosed separately from council tax collection in line with the requirement of the codes | ✓         |

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Governance and Ethics Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail  | Comprehensive Income and Expenditure Statement<br>£'000 | Balance Sheet<br>£' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|---|---|-------------------------|---------------------------------------|--------------------------|
| 1 The Council have capitalised an accrual in 2018/19 but cannot provide any evidence to support the valuation of the accrual          | 325   | 325                     | 325                                   | Not material             |
| 2 The Council cannot provide evidence for two items included in PPE opening balances. The extrapolated balance of this error is £581k | 581   | 581                     | 581                                   | Not material             |
| <b>Overall impact</b>   | <b>£906</b>   | <b>£906</b>             | <b>£906</b>                           |                          |

## Impact of prior year unadjusted misstatements

No prior year unadjusted misstatements.

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

## Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £74,423. Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

## Update to our risk assessment – Additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment. Further additional fees may be payable if additional audit work is required as a result of audit work that identifies further issues.

## Additional Audit Fees

| Area of work  | Timing                    | Comment   | £     |
|---|---------------------------|---|-------|
| Assessing the impact of the McCloud Ruling            | June – July 2019          | The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statement along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert. | 3,000 |
| Pensions – IAS 19                                     | July 2019                 | The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.  | 2,500 |
| PPE Valuation – work of experts                       | July 2019                 | As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.  | 3,000 |
| Further audit procedures required to complete testing | July 2019 – February 2020 | We anticipate requiring additional audit fees for work to support the required financial statements audit in a number of areas. This will be discussed with officers and presented to the Governance and Ethics Committee as part of our Annual Audit Letter, for information, prior to submitting to PSAA for approval   | TBC   |

## Total Audit Fees

| Audit fee                               | Actual 2017/18 fee £ | Planned 2018/19 fee £ | Final 2018/19 fee £ |
|---|----------------------|-----------------------|---------------------|
| <b>Council Audit – scale fee</b>        | 96,653               | 74,423                | 74,423              |
| <b>Additional Audit Fee (see above)</b> | -                    | -                     | 8,500               |
| <b>Total audit fees (excl VAT)</b>      | <b>96,653</b>        | <b>74,423</b>         | <b>82,923</b>       |

# Audit opinion (draft)

We anticipate we will provide the Council with an unmodified audit report

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of West Berkshire Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Statement Account and notes to the financial statements, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Financial Statements 2018/19, the Narrative Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and

# Audit opinion (draft)

controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Financial Statements 2018/19 and the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Financial Statements, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local

authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Governance and Ethics Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of

resources for the year ended 31 March 2019.

# Audit opinion (draft)

## Responsibilities of the Authority

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

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Certificate**

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

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature

### **Barrie Morris, Key Audit Partner**

for and on behalf of Grant Thornton UK LLP, Local Auditor  
Bristol

[Date]



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank



## Financial Statements 2018/19

|   |                                 |
|---|---------------------------------|
| <b>Committee considering report:</b>        | Governance and Ethics Committee |
| <b>Date of Committee:</b>                   | 10.2.20                         |
| <b>Portfolio Member:</b>                    | Councillor Ross Mackinnon       |
| <b>Date Portfolio Member agreed report:</b> | 30.1.20                         |
| <b>Report Author:</b>                       | Shannon Coleman-Slaughter       |
| <b>Forward Plan Ref:</b>                    | GE3828b                         |

### 1. Purpose of the Report

The purpose of this report is to provide Members with a copy of the audited financial statements for the financial year ended 31 March 2019.

### 2. Recommendation

No recommendations are made within this report. The report is to note only.

### 3. Implications and Impact Assessment

| Implication  | Commentary      |                |                 |                   |
|--|-----------------|----------------|-----------------|-------------------|
| <b>Financial:</b>  | Not applicable  |                |                 |                   |
| <b>Human Resource:</b>   | Not applicable  |                |                 |                   |
| <b>Legal:</b>  | Not applicable  |                |                 |                   |
| <b>Risk Management:</b>  | Not applicable  |                |                 |                   |
| <b>Property:</b>   | Not applicable  |                |                 |                   |
| <b>Policy:</b>   | Not applicable  |                |                 |                   |
|  | <b>Positive</b> | <b>Neutral</b> | <b>Negative</b> | <b>Commentary</b> |
| <b>Equalities Impact:</b>  |                 |                |                 |                   |
| <b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality? |                 | X              |                 |                   |
| <b>B</b> Will the proposed decision have an impact upon the  |                 | X              |                 |                   |

|  |  |   |  |  |
|--|--|---|--|--|
| lives of people with protected characteristics, including employees and service users? |  |   |  |  |
| <b>Environmental Impact:</b>   |  | X |  |  |
| <b>Health Impact:</b>  |  | X |  |  |
| <b>ICT or Digital Services Impact:</b>   |  | X |  |  |
| <b>Council Strategy Priorities or Business as Usual:</b>                               |  | X |  |  |
| <b>Data Impact:</b>  |  | X |  |  |
| <b>Consultation and Engagement:</b>  | Joseph Holmes (Executive Director for Resources, s151 Officer)<br>Andy Walker (Head of Finance & Property) |   |  |  |

## 4. Executive Summary

- 4.1 The purpose of this report is to provide members with a copy of the audited financial statements for the financial year ended 31 March 2019.
- 4.2 The audited financial statements have been subject to review by Grant Thornton, the Council's appointed auditors. Grant Thornton are required under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), to report on, in their opinion, if the Council's financial statements:
- (a) Give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and
  - (b) have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Grant Thornton have produced and supplied a report detailing audit findings and recommendations which is enclosed in a separate report, The Audit Findings for West Berkshire Council – Financial Year Ended 31 March 2019.

## 5. Supporting Information

Supporting information is detailed in appendix A.

### Proposals

There are no proposals included within this report. The report is to note only.

## 6. Other options considered

- 6.1 Not applicable, report is to note only.

## 7. Conclusion

7.2 Grant Thornton have produced and supplied a report detailing audit findings and recommendations which is enclosed in a separate report.

## 8. Appendices

8.3 Appendix A – Financial Statements 2018/19

---

### Background Papers:

None

---

### Subject to Call-In:

Yes:  No: X

Report is to note only

X

---

**Wards affected:** None

---

### Officer details:

Name: Shannon Coleman-Slaughter

Job Title: Chief Financial Accountant

Tel No: 01635 519225

E-mail Address: Shannon.colemanslaughter@westberks.gov.uk

---

This page is intentionally left blank



West Berkshire  
C O U N C I L



Financial Statements

West Berkshire Council 2018/19

# Contents

| Information                                       | Core Financial Statements                                 | Notes to the Core Statements           | Technical Notes  | Collection Fund   |
|---|---|--|--|---|
| Introduction to West Berkshire p3                 | Comprehensive Income and Expenditure Statement (CIES) p32 | Notes Supporting the CIES p58          | Accounting Standards issued not adopted p51              | Collection Fund Income and Expenditure Account and notes p126 |
| Narrative Report p4                               | Movement in Reserves Statement (MIRS) p33                 | Notes Supporting the MIRS p75          | Critical judgements in applying accounting standards p52 |   |
| Annual Governance Statement p17                   | Balance Sheet p34   | Notes supporting the Balance Sheet p82 | Prior Period Adjustment p53                              |   |
| Independent Auditor's Report p25                  | Cash Flow Statement p35                                   | Notes Supporting the Cash Flow p121    | Assumptions made about the future p56                    |   |
| The Authority's Responsibilities p30              |   |  | Notes Other  |   |
| Index of Accounting Policies/Summary of Notes p36 |   |  | Contingent Liabilities p124                              |   |
| Accounting Policies p38                           |   |  | Parish Council Precepts p124                             |   |
| Glossary of Terms p131                            |   |  |  |   |

## Introduction to 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 at the end of this document.

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.

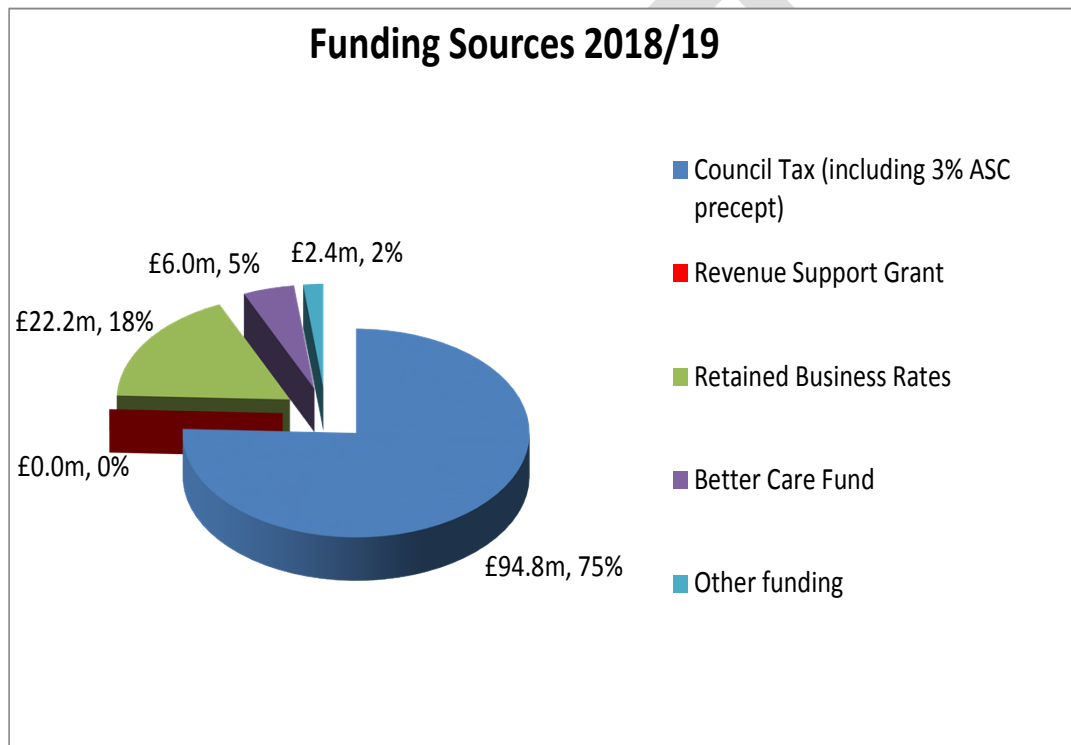
The Financial statements incorporate the following:

- **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 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. 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 and unusable reserves (as defined above).
- **The Cash Flow Statement** which explains the change in the level of cash and cash equivalents held by the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as arising from 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 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 council tax and business rates transactions for the financial year and how they are subsequently distributed.



## Revenue Financial Performance 2018/19

The Council has faced significant reductions in its core grant funding, leading to greater reliance on funding from council tax and local business rates. In 2018/19 the Council increased council tax by 2.99%, raising £2.7m and also added a 3% precept on council tax to fund adult social care pressures raising an additional £2.7m.



For 2018/19, after taking account of increases in council tax, a funding gap of £5.2m was to be met from savings and income. During the year, progress against savings was monitored and by year-end over 83% of the target was achieved.

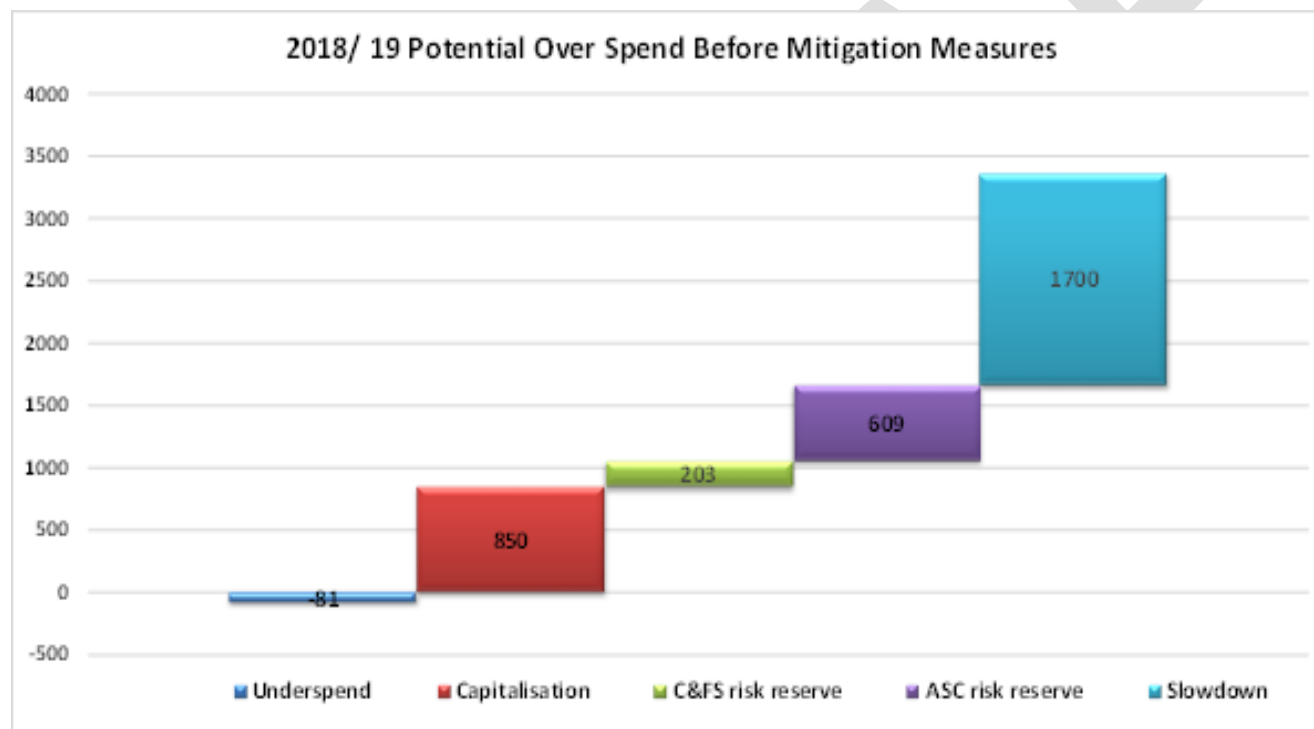
The Council set a net revenue budget of £119.4m for the 2018/19 financial year, funded from non- ring-fenced funds comprising council tax, retained business rates, and other amounts including various smaller grants. Ring-fenced funding forms part of the individual service budgets to which it relates.

## Revenue Outturn

At Quarter One it became evident that a significant overspend was emerging in the Communities Directorate and most notably in Adult Social Care. An in depth review was undertaken of the modelling used to set the budget, which concluded that the modelled budget should have been £1.4m higher and that the remainder of the overspend arose from increased demand, unmet savings, transfers of care and the embargo of Birchwood care home. All Council services were tasked with putting in place mitigation strategies to bring the forecast over spend down by year end and a decision was taken to slow expenditure in the remainder of the current financial year.

By year end, mitigation savings of £1.7million were achieved, alongside £850k of capitalisation and £812k of risk reserves released to offset realised risks. The provisional management accounting outturn for 2018/19 was an under spend of £81k, which represents -0.1% of the net revenue budget. If these actions had not been taken the Council could have faced an overspend of £3.3million.

**Table 1 – showing potential overspend in £k**



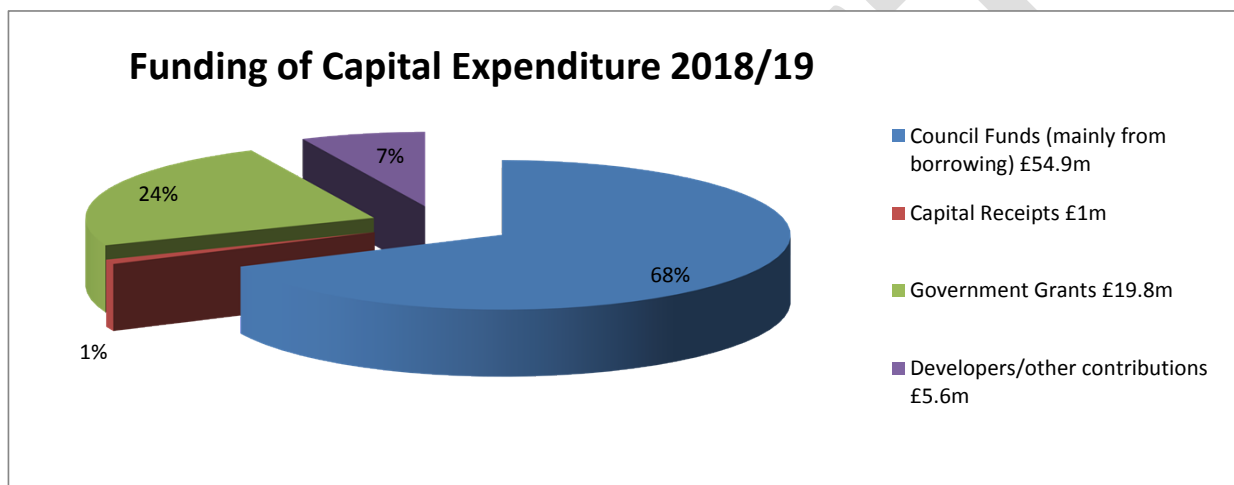
**Table 2 -** The final Council position by directorate and service is shown in the table below.

|  | Current Net Budget | Actual spend   | Forecast (under)/over spend |              |               |              |              | Change from Last Month | Outturn (under)/over spend as % of Net Budget |
|--|--------------------|----------------|-----------------------------|--------------|---------------|--------------|--------------|------------------------|---|
|  |                    |                | Quarter One                 | Quarter Two  | Quarter Three | Month Eleven | Year End     |                        |   |
|  | £000               | £000           | £000                        | £000         | £000          | £000         | £000         | £000                   | %   |
| Adult Social Care                              | 43,181             | 44,019         | 2,388                       | 1,640        | 1,136         | 1,153        | 838          | (315)                  | 2%  |
| Children & Family Services                     | 15,047             | 15,679         | 220                         | 657          | 755           | 812          | 632          | (180)                  | 4%  |
| Corporate Director                             | 152                | 144            | 8                           | 8            | (1)           | (5)          | (8)          | (3)                    | -5%   |
| Education DSG funded                           | (444)              | (444)          | 0                           | 0            | 0             | 0            | 0            | 0                      | 0%  |
| Education                                      | 8,636              | 8,416          | 152                         | (1)          | (51)          | (95)         | (220)        | (125)                  | -3%   |
| Public Health & Wellbeing                      | 86                 | 86             | 0                           | 0            | 0             | 0            | 0            | 0                      | 0%  |
| <b>Communities</b>                             | <b>66,658</b>      | <b>67,900</b>  | <b>2,768</b>                | <b>2,304</b> | <b>1,839</b>  | <b>1,865</b> | <b>1,242</b> | <b>(623)</b>           | <b>2.00%</b>                                  |
| Corporate Director                             | 170                | 170            | 0                           | 0            | 0             | 0            | 0            | 0                      | 0%  |
| Development & Planning                         | 2,701              | 2,545          | (114)                       | (232)        | (236)         | (116)        | (156)        | (40)                   | -6%   |
| Public Protection & Culture                    | 4,086              | 4,005          | 47                          | 70           | (11)          | (47)         | (81)         | (34)                   | -2%   |
| Transport & Countryside                        | 23,138             | 22,924         | 70                          | (171)        | (120)         | (122)        | (213)        | (91)                   | -1%   |
| <b>Economy and Environment</b>                 | <b>30,095</b>      | <b>29,644</b>  | <b>3</b>                    | <b>(333)</b> | <b>(367)</b>  | <b>(285)</b> | <b>(450)</b> | <b>(165)</b>           | <b>-1.00%</b>                                 |
| Chief Executive                                | 787                | 709            | 0                           | (75)         | (77)          | (77)         | (78)         | (1)                    | -10%  |
| Commissioning                                  | 1,016              | 985            | 0                           | (46)         | (46)          | (46)         | (31)         | 15                     | -3%   |
| Customer Services & ICT                        | 3,027              | 2,848          | (3)                         | (104)        | (98)          | (109)        | (179)        | (70)                   | -6%   |
| Finance & Property                             | 1,070              | 777            | (260)                       | (314)        | (303)         | (349)        | (293)        | 56                     | -27%  |
| Human Resources                                | 1,478              | 1,439          | 0                           | (52)         | (33)          | (24)         | (39)         | (15)                   | -3%   |
| Legal Services                                 | 1,047              | 949            | 0                           | (36)         | (16)          | (90)         | (98)         | (8)                    | -9%   |
| Strategic Support                              | 2,317              | 2,278          | (17)                        | (40)         | (40)          | (45)         | (39)         | 6                      | -2%   |
| <b>Resources</b>                               | <b>10,742</b>      | <b>9,985</b>   | <b>(280)</b>                | <b>(667)</b> | <b>(613)</b>  | <b>(740)</b> | <b>(757)</b> | <b>(17)</b>            | <b>-7.00%</b>                                 |
| Capital Financing                              | 10,015             | 9,900          | 0                           | 0            | (110)         | (110)        | (116)        | (6)                    | -1%   |
| Movement through Reserves                      | 1,917              | 1,917          | 0                           | 0            | 0             | 0            | 0            | 0                      | 0%  |
| Risk Management                                | 0                  | 0              | (1,200)                     | 0            | (500)         | (500)        | 0            | 500                    | 0%  |
| <b>Capital Financing &amp; Risk Management</b> | <b>11,932</b>      | <b>11,817</b>  | <b>(1,200)</b>              | <b>0</b>     | <b>(610)</b>  | <b>(610)</b> | <b>(116)</b> | <b>494</b>             | <b>-1.00%</b>                                 |
| <b>Total</b>                                   | <b>119,427</b>     | <b>119,346</b> | <b>1,291</b>                | <b>1,304</b> | <b>249</b>    | <b>230</b>   | <b>(81)</b>  | <b>(311)</b>           | <b>0%</b>                                     |

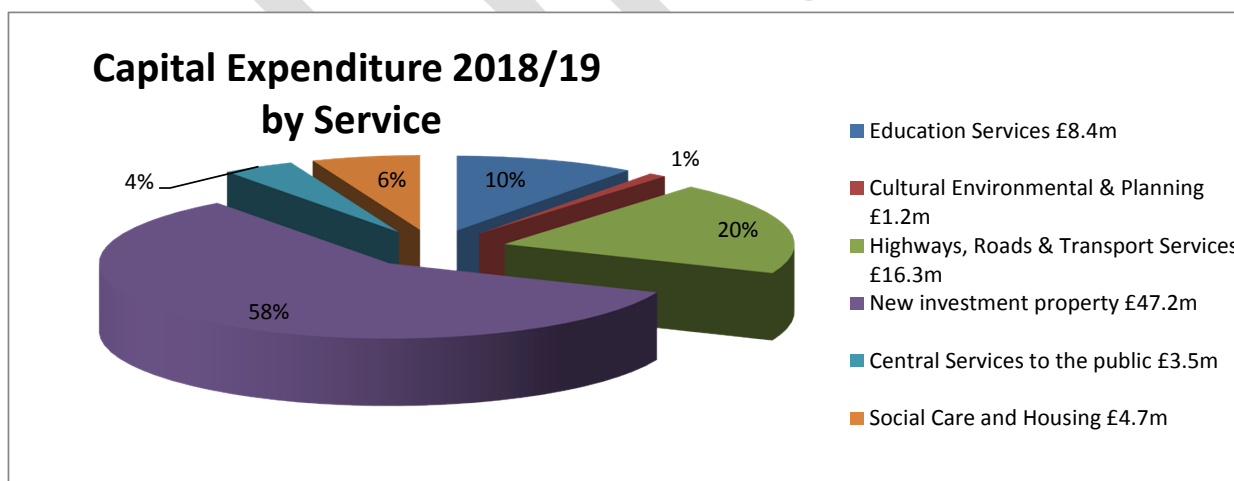
## Capital Financial Performance 2018/19

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. In addition, in 2017/18 the Council commenced a strategy of investing in commercial property to generate additional income streams in support of the revenue budget.

The agreed capital programme is funded through a combination of grants, section 106 (s106), Community Infrastructure Levy (CIL), borrowing from the Public Works Loan Board (PWLB) and capital receipts from the sale of assets. The chart below shows the funding split for the capital programme in 2018/19.



The chart below shows the deployment of £81.3m of capital expenditure in 2018/19.



During 2018/19 £47.2million was invested in support of the Council's Property Investment Strategy. Moving forward, given the political and economic uncertainty at present, the property investment strategy will be reviewed to ensure investments are appropriately safeguarded.

### **Borrowing in 2018/19**

In 2018/19 the Council took out new long term loans of £46.1m from the Public Works and Loans Board (PWLB) to fund capital expenditure and made principal repayments to the PWLB of £5.4m, bringing its total PWLB loans balance to £200.4m.

The Council's Operational Boundary for debt, which was set at £223m at the start of the year, was increased to £283m by Council on the 3rd July 2018 to accommodate the updated Property Investment Strategy. The Council's total debt at 31 March 2019 stood at £222.6m, including debt embedded in the Waste PFI contract of £13.7m and temporary borrowing to manage cash flow (for less than 60 days) of £8.5m. The cost of temporary borrowing to cover troughs in the Council's cash flow is more than offset by the interest earned by the investment of the Council's surplus cash in peak periods.

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 Councils which hold larger investments and cash balances.

### **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 2017/18 was £37.9m.

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, together with 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.

## Main changes to the Core Statements and significant transactions in 2018/19

### Fixed Assets

In 2018/19 the Council sold the former Newbury Bus Station, five houses in Highfield Avenue, Newbury, previously used for temporary accommodation and the site of an electricity substation in Prospect Place, Newbury. Minor consideration was also received for release of covenants on a number of properties which had been sold in previous years. The total received for these properties was of £1.36 million. The net loss on disposal of assets in 2018/19 of £529k (after taking into account their book values and the costs of disposal) is reflected in the comprehensive income and expenditure account.

Capital investment in improvements to the Council's existing operational assets (including schools, highways, leisure centres, care homes and IT infrastructure) was broadly in line with previous years. However in 2018/19 the Council also acquired new commercial property with a value of £47.2 million (compared with £14.9m in 2017/18), in line with the property investment strategy which was reviewed and revised by the Council in July 2018.

### Long Term Liabilities

The level of borrowing to fund capital spending was significantly increased in 2018/19 in support of the Council's Property Investment Strategy. Investment in the strategy (£100m portfolio when fully invested) is expected to be completed in 2019/20. Rental income from these properties is expected to cover the borrowing and management costs and to generate surplus income to help fund Council services.

### Collection Fund

The Collection Fund deficit was £8.683m for the 2018/19 financial year (council tax £2.163m and non-domestic rates £6.520m). 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, although 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 31<sup>st</sup> March 2020.

### 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 2018/19.

### Change in statutory functions

There were no significant changes in statutory functions in the year 2018/19.

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

There were no significant contingencies, provisions or write offs during the year 2018/19.

### **Material events after the Balance Sheet Date 2018/19.**

There have been no material events after the Balance Sheet date. The Balance Sheet has been restated to include revised IAS19 figures following the McCloud ruling.

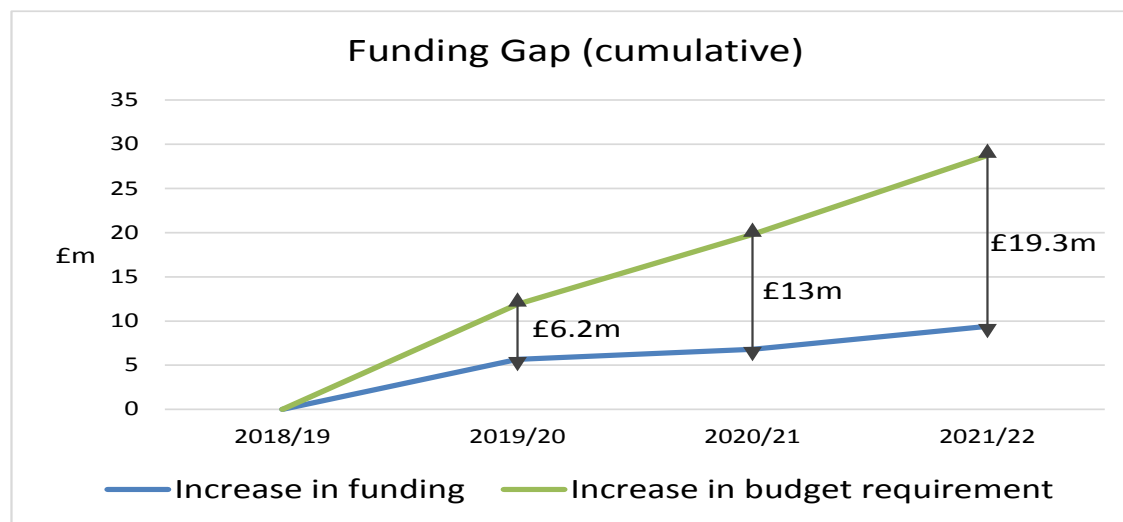
### **Economic climate and its impact on Council services and future developments in service delivery**

In October 2016, West Berkshire Council accepted the Government's offer of a four year funding settlement from 2016/17 to 2019/20. The Government made a clear commitment to provide minimum allocations for each year of the Spending Review period. Whilst this settlement committed the Council to a continued reduction in the Revenue Support Grant (RSG), it has provided some financial certainty on which the Council has planned ahead and built other sources of income. Since 2016/17, West Berkshire Council has seen the RSG reduce from £15m to zero.

In 2019/20, West Berkshire Council will continue as part of the Berkshire business rates pilot, under a 75% retention scheme. As a pilot, additional business rates income collected in Berkshire is retained within the county, rather than being returned to Central Government. The Berkshire authorities committed to set aside 50% of the additional funding to make improvements to transport infrastructure in the Reading – Wokingham and Slough – Heathrow corridors, with the works being taken forward by the Thames Valley Berkshire Local Enterprise Partnership (LEP), an organisation with both private and public sector representation. The remaining 50% of additional funding was distributed to the individual local authorities in Berkshire, in proportion to their respective contribution to the overall growth.

The Council's costs grow each year as a result of inflation, salary increases, and changes to National Insurance and pension contributions, alongside service pressures arising from increased demand and new responsibilities. The forecast levels of revenue funding over the period of the Medium Term Financial Strategy (MTFS), together with provision for forecast budgetary increases, mean that West Berkshire Council faces a funding gap of just over £6m each year. This is at an assumed Council Tax increase of 2.99% in 2019/20 followed by 1.99% thereafter.

Table 3



Over the past few years, the Council's savings programmes have focussed largely on becoming more efficient at what we do and reducing the Council's administrative functions. Whilst the Council will continue to maximise efficiencies from across its service areas, the key financial strategy to close the funding gap over the medium term will focus on innovation around service transformation, strategic transformation and commercialisation. £1.6m has been allocated into a Transformation Reserve, in order to facilitate the delivery of the financial strategy. The areas of focus that will contribute to closing the funding gap include the following:

#### **Investing in digitisation to both improve services and reduce costs**

This agenda is driven through the Customer First Programme Board and there are a number of digitisation projects underway focusing on online booking, pre-planning validation service and digitisation of the Revenues and Benefits system.

#### **Continuing to improve our systems and processes**

One of the most successful processes undertaken in 2017 was the Financial Challenge Review (FCR), where each service within the Council was reviewed in detail from their budgets through to the activity undertaken and their staffing structures. The process identified £1.9m of savings and income in 2017 and £1.3m in 2018. FCR will continue to challenge services.

Linked to this piece of work and enabling the Council to keep pace with the constant demand on budgets, is the New Ways of Working, project. This is designed to review how and why we deliver the services and to look at how we might deliver them in a more effective and efficient way. As part of this projects, we are reviewing our services where benchmarking against other Councils suggest they may be above average cost. As part of our benchmarking work, we are reviewing income generating sources and fees and charges, comparing ourselves nationally and with similar authorities. This large project has a target of three years to deliver changes.



### **Demand management**

One of the key projects underway is to review where the demand on our services actually comes from, who the key users are, what their requirements are and how might we better manage demand or anticipate needs. This will naturally feed into the New Ways of Working, piece of work as it will inform the direction of travel the Council needs to take, in order to meet continuing demand on its services.

### **Commercialisation**

The Council is investing in residential and commercial property with the aim of meeting our statutory housing duties in a more cost effective way and generating a new income stream. The Council will deliver housing using a Joint Venture with Sovereign Housing Association. Commercial property investment is overseen by the Council's Property Investment Board to deliver against the agreed strategy in this area. Property investment has so far generated £812k of income and is anticipated to increase to £1.5m in 2019/20 and to £2m by 2020/21.

### **Sharing services**

We are continuing to join our services with those of other local authorities where it makes sense to do so. One of the most successful examples of this has been in Public Protection and Culture, where we now have a shared service with Bracknell Forest and Wokingham Councils. There are other projects underway to identify where we may replicate this arrangement.

The One Public Estate programme is a Berkshire wide programme of activity looking at how to make the best use of our collective buildings estate. This is already working well via joint working with the Thames Valley Police who now share the Market Street ground floor premises with West Berkshire Council.

### **Working with partners and communities to deliver services differently and devolution to parish and town councils.**

We have been working with town and parish councils to identify opportunities for devolving services to them. The launch of the Parish Portal and the devolution agenda has proven successful and positive feedback has been received from Parishes. Many of the more proactive parish councils are contacting us about services on which West Berkshire Council has had to cut spending, with a view to taking them on and running either with or for the communities. Communities themselves are taking positive action to request assistance around volunteering for library services and other services where the Council has withdrawn its funding.

### **Capital**

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. In March 2018 the Council approved a Capital Programme for the period 2019 to 2022 which allows for future investment in the following key areas:

- £38.7m for new school places and improvements to school buildings;
- £34m for maintenance and improvement of highways;
- £8.7m for occupational health equipment, home adaptations and supported living for vulnerable adults and looked after children;

- £2.9m for maintenance and improvement of parks, open spaces sporting and cultural facilities and £320k for grants to support community projects;
- £35m for investment in commercial property in order to generate revenue income to help meet the running costs of Council services.

Planned Capital investment over the next three years will continue to ensure that core assets are maintained and protected.

### Reserves

There need 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 which 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 in which we are operating. 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 2018/19 to fund previously identified service risks that were realised in year and facilitate transformation projects. The Council has budgeted to put £1.6m back into reserves in 2019/20, 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.

### 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:

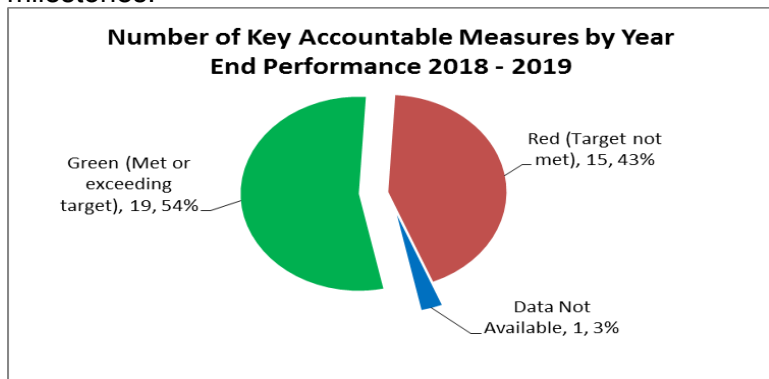
- Improve educational attainment
- Close the educational attainment gap
- Enable completion of more affordable housing
- Deliver or enable key infrastructure projects
- Good at safeguarding children and vulnerable adults
- Support communities to do more to help themselves

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.

DRAFT

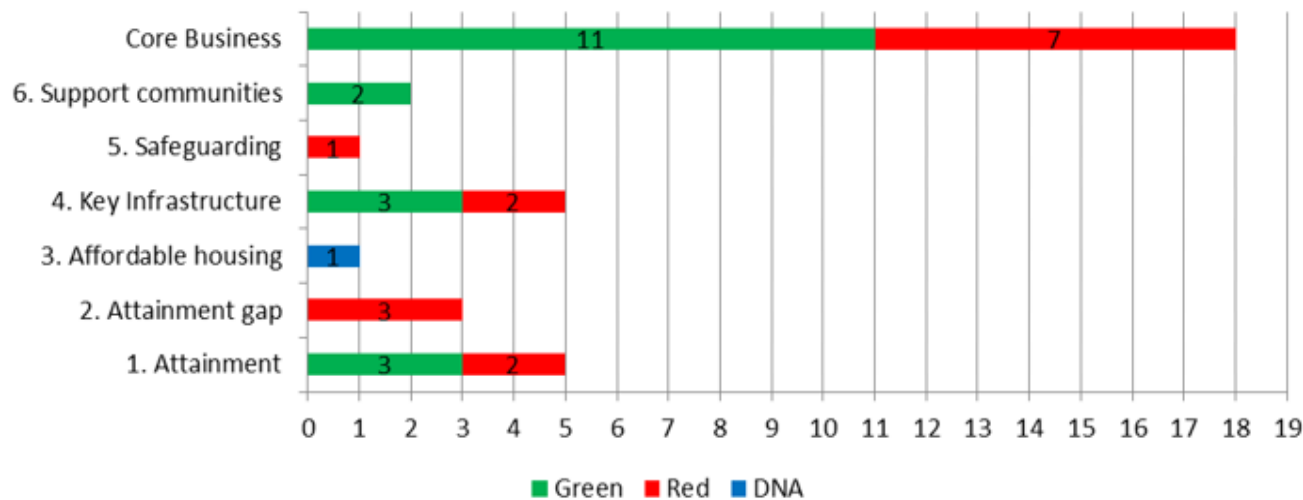
## Key Performance Indicators of Progress in Achieving the Council’s Strategic Objectives

At the end of March 2019 a total of 35 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 34 measures and milestones.



Provisional end of year results were better than the expected targets for 19 measures (54%) and were (RAG) rated ‘Green’. In addition, 15 measures (43%) have not achieved the end of year targets or deadlines and were RAG Rated ‘Red’. This is below the previous year’s overall result (62.5% of measures rated ‘Green’). The following table highlights the performance achieved against the measures used during 2018/19 against each priority of the Council Strategy:

**Table 4**



Final performance results, including the exception reports for the measures that have not achieved their targets, will be available as part of the Quarter 4 Performance reports for the Executive.

## Conclusion

The Council's ability to manage significant financial challenge is vital to its continuing success in delivering the Council Strategy. The Council has a track record of strong financial management. 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 and Property  
West Berkshire Council  
Market Street, Newbury, RG14 5LD

[andy.walker@westberks.gov.uk](mailto:andy.walker@westberks.gov.uk)

(01635) 519433

## 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 2019 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 proposed budget reductions which affect service users 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 or others, and how any impact arising out of the proposal could be mitigated;
- 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 Risk Management framework;
- 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 Grant Thornton.
- Commissioning regular external peer reviews by the Local Government Association.

4.3 Having regard to the governance framework considered at paragraph 3.1 above, the following should be noted:

|   |   |
|---|---|
| <b>Identifying and communicating West Berkshire Council's Strategy that sets out its purpose and intended outcomes for citizens and service users</b>   | The Council Strategy 15-19 was reviewed and refreshed by Council in March 2018, in order to note the progress that had been made in the delivery of the priorities for improvement. This also provided clarification of any new or amended actions and projects identified to deliver against the priorities of the Strategy. |
| <b>Reviewing West Berkshire Council's Strategy and its implications for West Berkshire Council's governance arrangements</b>  | A new Council Strategy for the period 2019 to 2023 was approved at Council on the 23 <sup>rd</sup> May 2019, following public consultation and engagement.  |
| <b>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</b> | Quarterly reports detailing performance against targets, which are linked to the Council Strategy priorities, are considered and reviewed by Executive.   |
| <b>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</b>                        | The Council has a published Consultation Policy, which was last updated in January 2019.<br><br>The Council also has a Community Panel which is a small group of residents, who are e-mailed directly   |



|  |   |
|--|---|
|  | <p>when the Council has specific consultations that are relevant district wide.</p> <p>Consultation exercises are promoted through the usual media channels including the Council’s social media accounts. Individual Council Services will send targeted e-mails inviting specific users to respond to specific consultations where it is appropriate to do so.</p> <p>Consultation questionnaires are usually available online but also as hard copy if required</p>  |
| <p><b>Consultation on the budget and proposed budget reductions which affect service users 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 or others, and how any impact arising out of the proposal could be mitigated</b></p> | <p>The Budget Consultation ran from the 12 November until the 23<sup>rd</sup> December 2018.</p> <p>A number of proposals consulted upon were not implemented as a result of consultation feedback. It is considered that this is good evidence that the Council consults at a formative stage in the decision making process.</p> <p>As noted above, the Council has a Community Panel which are consulted on proposals which have a district wide implication. Targeted consultation will take place with service users whenever appropriate.</p> |
| <p><b>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</b></p>  | <p>The Articles of the Constitution summarises the roles and responsibilities of the Executive, Council, OSMC and other committees, together with the role of a number of statutory officers.</p>   |

|  |  |
|--|--|
|  | Further detailed guidance is found in the relevant sections of the Constitution.   |
| <b>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff</b>   | The officers and members codes of conduct, were updated in March and December 2018 respectively, to provide updated guidance on the use of social media.   |
| <b>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</b> | <p><b><u>The Constitution is regularly reviewed, with updates being made in the 2018/19 financial year to the following:</u></b></p> <ul style="list-style-type: none"> <li>• <b><u>Part 2 (Articles of the Constitution)</u></b></li> <li>• <b><u>Part 3 (Scheme of Delegation)</u></b></li> <li>• <b><u>Part 10 (Finance Rules of Procedure)</u></b></li> <li>• <b><u>Part 11 (Contract Rules of Procedure)</u></b></li> <li>• <b><u>Social Media Protocols for both Officers and Members as set out in Part 13 (Codes &amp; Protocols)</u></b></li> </ul> |
| <b>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)"</b>  | The Council's financial management arrangements are regularly reviewed by the Finance and Governance Group to ensure compliance with this CIPFA Statement.   |
| <b>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"</b>   | <p>The Terms of Reference covering the 'Audit Committee' responsibilities of the Governance and Ethics Committee were set up to meet the requirements of the CIPFA good practice guidance.</p> <p>It is good practice to review the actual effectiveness of an Audit Committee, this has been scheduled in for this financial year.</p>  |

|  |   |
|--|---|
| <p><b>The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful</b></p> | <p>The Finance and Governance Group meets on a monthly basis and is chaired by the Council's s151 Officer.</p>  |
| <p><b>Conducting a regular review of the effectiveness of Internal Audit</b></p>   | <p>Internal Audit were subject to an external assessment during 2018 as required by the Public Sector Internal Audit Standards (PSIAS). The conclusion of that review was that Internal Audit 'generally conforms' with the PSIAS requirements, which is the highest compliance category used for this assessment.</p>                |
| <p><b>Whistle blowing procedures for receiving and investigating complaints from staff or the public</b></p>   | <p>The Council has policies in place, which are currently being reviewed by the Council's Audit Manager to ensure that they remain fit for purpose.</p>   |
| <p><b>Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.</b></p>                              | <p>The Member Induction and Development Plan was approved by Council in December 2018. This recognised the fact that the elections in May 2019 may result in the election of members who were new to West Berkshire Council.</p> <p>The training needs and development of senior officers is dealt with via the appraisal system.</p> |

- 4.4 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.
- 4.4 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.

- 4.5 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.
- 4.6 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 against district councillors indicates that there is little that needs attention if the current arrangements are followed. There has been no necessity for the Monitoring Officer to report formally to Council under Section 5 of the 1989 Act.
- 4.7 Ethical matters are managed by the Governance and Ethics Committee.
- 4.8 The Chief Executive will be reviewing governance arrangements in 2019/20 to ensure that this aligns with the new Council Strategy.

## **5 Significant governance issues identified in the AGS for 2017/18**

- 5.1 The following is an outline of the significant governance issues that were identified in preparing the 2017/18 AGS.
- The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will require effective governance arrangements around proposed changes.
  - Council's preparation for General Data Protection Regulations (GDPR) coming into force on 25<sup>th</sup> May 2018.
  - Planned regular review of Council's constitution to ensure effective governance arrangements. This included an overhaul of Council's Scheme of Delegation and a stronger Contract Rules of Procedure and a supporting governance framework, together with changes to the Officers Code of Conduct.
- 5.2 The following measures were implemented during 2018/19:
- GDPR was successfully implemented by the deadline.
  - Council's constitution was reviewed by Finance and Governance Group in accordance with the agreed plan.

## 6 Significant Governance Issues identified in 2018/19

6.1 The following is an outline of the significant governance issues identified in 2018/19.

- The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes.
- Financial management arrangements in demand led social care areas need to be strengthened to mitigate the chances of unplanned budget overspends occurring.
- Overview and governance of school funding needs to be strengthened particularly in light of a significant overspend within the High Needs Dedicated Schools Grant Block.

6.2 The following measures will be implemented during 2019/20:

- A review of the ASC forecast overspend position was undertaken by the Chief Executive and Audit Manager during 2018/19, and made a number of recommendations to strengthen the financial management arrangements within ASC and across the Council. These recommendations are being implemented according to an agreed plan and will be closely monitored for their effectiveness.
- Regular reporting of School DSG funding performance to be embedded within existing financial performance arrangements.

Signed:



Nick Carter – Chief Executive



Lynne Doherty – Leader of the Council

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST BERKSHIRE COUNCIL  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

DRAFT

DRAFT

DRAFT



DRAFT

DRAFT

## The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Financial Statements.

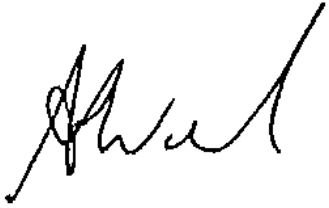
## The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing the Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Financial Statements gives a true and fair view of the financial position of the Authority at 31 March 2019 and of its income and expenditure for the year then ended



Andy Walker  
Head of Finance

31/07/2019

DRAFT

# Comprehensive Income and Expenditure Statement

| 2017/18 Restated                              |                  |                 | Comprehensive   |          | 2018/19        |                  |                  |
|---|------------------|-----------------|---|----------|----------------|------------------|------------------|
| Expenditure                                   | Income           | Net Expenditure | Income & Expenditure Statement                              |          | Expenditure    | Income           | Net Expenditure  |
| £000  | £000             | £000            | Table 05B   | Note     | £000           | £000             | £000             |
| <b>Net Expenditure on Continuing Services</b> |                  |                 |   |          |                |                  |                  |
| 211,760                                       | (127,109)        | 84,651          | Communities Directorate                                     |          | 217,481        | (133,097)        | 84,384           |
| 59,669  | (15,892)         | 43,777          | Environment Directorate                                     |          | 60,688         | (17,588)         | 43,100           |
| 64,236  | (46,594)         | 17,642          | Resources Directorate including Support Services            |          | 64,134         | (43,764)         | 20,370           |
| 0   | (166)            | (166)           | Capital Financing and Risk Management                       |          | 1,796          | (1,925)          | (129)            |
| <b>335,665</b>                                | <b>(189,761)</b> | <b>145,904</b>  | <b>Net Cost of Services</b>                                 | <b>6</b> | <b>344,099</b> | <b>(196,374)</b> | <b>147,725</b>   |
|   |                  | 4,710           | (Gain) / loss on the disposal of non current assets         |          |                |                  | 529              |
|   |                  | 4,064           | Precepts to Parishes  |          |                |                  | 4,150            |
|   |                  | 145             | Levies Payable  |          |                |                  | 147              |
|   |                  | 834             | (Surpluses)/deficits on trading undertakings                | 17       |                |                  | 431              |
|   |                  | <b>9,753</b>    | <b>Other Operating Expenditure</b>                          |          |                |                  | <b>5,257</b>     |
|   | (367)            |                 | Interest Receivable   | 25       |                |                  | (700)            |
|   | (4,407)          |                 | (Surpluses) / deficits on investment properties             | 21       |                |                  | (4,801)          |
|   | 8,435            |                 | Net Interest on the net defined benefit liability           | 36       |                |                  | 7,873            |
|   | 6,022            |                 | Interest Payable and similar charges                        | 25       |                |                  | 6,827            |
|   |                  | <b>9,683</b>    | <b>Financing and Investment Income and Expenditure</b>      |          |                |                  | <b>9,199</b>     |
|   |                  | <b>165,340</b>  | <b>Net Operating Expenditure</b>                            |          |                |                  | <b>162,181</b>   |
|   | (91,324)         |                 | Income from Council Tax                                     |          |                |                  | (97,606)         |
|   | (18,874)         |                 | Income from Business Rates                                  |          |                |                  | (25,307)         |
|   | (9,936)          |                 | Non Ring Fenced Government Grants                           | 15       |                |                  | (3,165)          |
|   | (25,869)         |                 | Capital Grants and Contributions                            | 15       |                |                  | (31,590)         |
|   | <b>(146,003)</b> |                 | <b>Taxation and Non Specific Grant Income</b>               |          |                |                  | <b>(157,668)</b> |
|   |                  | <b>19,337</b>   | <b>Surplus or Deficit on Provision of Services</b>          |          |                |                  | <b>4,513</b>     |
|   | (3,413)          |                 | (Surplus) / deficit on revaluation of Fixed Assets          | 32       |                |                  | (75,089)         |
|   | (19,093)         |                 | Remeasurement of the net defined benefit liability/ (asset) | 36       |                |                  | (22,800)         |
|   | <b>(22,506)</b>  |                 | <b>Other Comprehensive Income &amp; Expenditure</b>         |          |                |                  | <b>(97,889)</b>  |
|   | <b>(3,169)</b>   |                 | <b>Total Comprehensive Income &amp; Expenditure</b>         |          |                |                  | <b>(93,376)</b>  |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustment.

## Movement in Reserves Statement

| Movement in Reserves Statement<br>2018/19<br>Table 6a                    |       | General Fund<br>Balance<br>£000 | Capital Receipts<br>Reserve<br>£000 | Capital Reserves<br>Reserves<br>£000 | Reserves<br>Usable<br>£000    Unusable<br>£000 |                  | Total Authority Reserves<br>Reserves<br>£000 |
|--|-------|---------------------------------|-------------------------------------|--------------------------------------|--|------------------|--|
|  | Note  |                                 |                                     |                                      |  |                  |  |
| Balance as at 31 March 2018  |       | <u>20,029</u>                   | <u>3,013</u>                        | <u>37,448</u>                        | <u>60,490</u>                                  | <u>(105,415)</u> | <u>(44,925)</u>                              |
| Total Comprehensive Expenditure & Income                                 |       | (4,513)                         | 0                                   | 0                                    | (4,513)  | 97,889           | 93,376                                       |
| Adjustments between accounting basis and funding basis under regulations | 18    | 14,439                          | (2,268)                             | 2,965                                | 15,136   | (15,136)         | 0  |
| <b>Increase / (Decrease) in Year</b>                                     |       | <u>9,926</u>                    | <u>(2,268)</u>                      | <u>2,965</u>                         | <u>10,623</u>                                  | <u>82,753</u>    | <u>93,376</u>                                |
| Balance as at 31 March 2019  | 19/32 | <u>29,955</u>                   | <u>745</u>                          | <u>40,413</u>                        | <u>71,113</u>                                  | <u>(22,662)</u>  | <u>48,451</u>                                |

| Movement in Reserves Statement<br>2017/18 Restated<br>Table 6b           |       | General Fund<br>Balance<br>£000 | Capital Receipts<br>Reserve<br>£000 | Capital Reserves<br>Reserves<br>£000 | Reserves<br>Usable<br>£000    Unusable<br>£000 |                  | Total Authority Reserves<br>Reserves<br>£000 |
|--|-------|---------------------------------|-------------------------------------|--------------------------------------|--|------------------|--|
|  | Note  |                                 |                                     |                                      |  |                  |  |
| Balance as at 31 March 2017  |       | <u>19,301</u>                   | <u>209</u>                          | <u>29,177</u>                        | <u>48,687</u>                                  | <u>(96,781)</u>  | <u>(48,094)</u>                              |
| Total Comprehensive Expenditure & Income                                 |       | (19,337)                        | 0                                   | 0                                    | (19,337)                                       | 22,506           | 3,169  |
| Adjustments between accounting basis and funding basis under regulations | 18    | 20,065                          | 2,804                               | 8,271                                | 31,140   | (31,140)         | 0  |
|  |       | 728                             | 2,804                               | 8,271                                | 11,803   | (8,634)          | 3,169  |
| <b>Increase / (Decrease) in Year</b>                                     |       | <u>728</u>                      | <u>2,804</u>                        | <u>8,271</u>                         | <u>11,803</u>                                  | <u>(8,634)</u>   | <u>3,169</u>                                 |
| Balance as at 31 March 2018  | 19/32 | <u>20,029</u>                   | <u>3,013</u>                        | <u>37,448</u>                        | <u>60,490</u>                                  | <u>(105,415)</u> | <u>(44,925)</u>                              |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustment.

# Balance Sheet

| 1 April 2017    | 31 March 2018   | Balance Sheet                                |      |                 | 31 March 2019 | 1 April 2017     | 31 March 2018    | Balance Sheet                        |      |                  | 31 March 2019    |
|-----------------|-----------------|--|------|-----------------|---------------|------------------|------------------|--------------------------------------|------|------------------|------------------|
| £000            | £000            | Table 7                                      | Note | £000            | £000          | £000             | £000             | Table 07                             | Note | £000             | £000             |
|                 |                 | <b>Non-Current Assets</b>                    |      |                 |               |                  |                  | <b>Long term Liabilities</b>         |      |                  |                  |
| 420,114         | 411,416         | Property, Plant and Equipment                | 20   | 494,488         |               | (153)            | (2,345)          | Provisions                           | 31   | (1,759)          |                  |
| 7,412           | 26,023          | Investment properties                        | 21   | 75,950          |               | (236)            | (236)            | Contributions deferred account       |      | (236)            |                  |
|                 |                 | <b>Total Property, Plant and Equipment</b>   |      |                 |               | <b>(317,317)</b> | <b>(317,292)</b> | Pension liability                    | 36   | <b>(316,509)</b> |                  |
| 427,526         | <b>437,439</b>  |  |      | <b>570,438</b>  |               | <b>(127,749)</b> | <b>(154,308)</b> | Borrowings PWLB                      | 26   | <b>(194,746)</b> |                  |
| 94              | 103             | Long Term Debtors                            |      | 83              |               | <b>(14,293)</b>  | <b>(13,652)</b>  | PFI liability                        | 35   | <b>(12,971)</b>  |                  |
| <b>427,620</b>  | <b>437,542</b>  | <b>TOTAL LONG TERM ASSETS</b>                |      | <b>570,521</b>  |               | <b>(459,748)</b> | <b>(487,833)</b> |                                      |      |                  | <b>(526,221)</b> |
|                 |                 | <b>Current Assets</b>                        |      |                 |               |                  |                  | <b>TOTAL ASSETS LESS LIABILITIES</b> |      |                  |                  |
|                 |                 |  |      |                 |               | <b>(48,094)</b>  | <b>(44,925)</b>  |                                      |      |                  | <b>48,451</b>    |
| 6,500           | 18,000          | Short term investments                       | 25   | 26,000          |               |                  |                  | General Fund                         | 19   | 6,151            |                  |
| 15              | 9               | Inventories                                  |      | 5               |               | 6,345            | 6,069            | Working Balances                     | 19   | 2,070            |                  |
| 22,065          | 21,365          | Short term debtors                           | 29   | 29,871          |               | 2,066            | 2,603            | Earmarked Reserves                   | 19   | 21,734           |                  |
| 3,209           | 2,500           | Assets held for sale                         | 22   | 1,712           |               | 10,890           | 11,357           | Capital Reserves                     | 24   | 41,158           |                  |
| 0               | 623             | Surplus assets                               | 20   | 89              |               | 29,386           | 40,461           | <b>Usable Reserves</b>               |      |                  | 71,113           |
| 3,475           | 6,194           | Cash and cash equivalents                    | 27   | 8,314           |               | 48,687           | 60,490           | Unusable reserves, excl Pensions     | 32   | 293,847          |                  |
|                 |                 | <b>TOTAL CURRENT ASSETS</b>                  |      | <b>65,991</b>   |               | 220,536          | 211,877          | Pension Reserve                      | 36   | <b>(316,509)</b> |                  |
| 35,264          | 48,691          |  |      |                 |               | <b>(96,781)</b>  | <b>(105,415)</b> | <b>Total Unusable Reserves</b>       | 32   |                  | <b>(22,662)</b>  |
| <b>462,884</b>  | <b>486,233</b>  | <b>TOTAL ASSETS</b>                          |      | <b>636,512</b>  |               | <b>(48,094)</b>  | <b>(44,925)</b>  | <b>TOTAL DEFICIT ON RESERVES</b>     |      |                  | <b>48,451</b>    |
|                 |                 | <b>Current Liabilities</b>                   |      |                 |               |                  |                  |                                      |      |                  |                  |
| (18,407)        | (6,026)         | Short term borrowing                         | 25   | (14,872)        |               |                  |                  |                                      |      |                  |                  |
| (32,823)        | (37,299)        | Short term creditors                         | 30   | (46,968)        |               |                  |                  |                                      |      |                  |                  |
| <b>(51,230)</b> | <b>(43,325)</b> | <b>TOTAL CURRENT LIABILITIES</b>             |      | <b>(61,840)</b> |               |                  |                  |                                      |      |                  |                  |
|                 |                 | <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      |                 |               |                  |                  |                                      |      |                  |                  |
| <b>411,654</b>  | <b>442,908</b>  |  |      | <b>574,672</b>  |               |                  |                  |                                      |      |                  |                  |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustment.

# Cash Flow Statement

| 2017/18<br>£000 | Cash Flow Statement<br>Table 8  | Note | 2018/19   |           |
|-----------------|---|------|-----------|-----------|
|                 |   |      | £000 00   | £000      |
|                 | <b>Operating Activities</b>   |      |           |           |
| 133,842         | Taxation  |      | 132,959   |           |
| 186,043         | Grants  |      | 185,664   |           |
| 850             | Rents   |      | 3,330     |           |
| 28,378          | Sale of goods and rendering of service                                    |      | 34,176    |           |
| 367             | Interest received   |      | 700       |           |
| 488             | Other receipts from operating activities                                  |      | 500       |           |
| 349,968         | <b>Cash inflows generated from operating activities</b>                   |      |           | 357,329   |
| (149,721)       | Cash paid to and on behalf of employees                                   |      | (154,107) |           |
| (36,971)        | Housing benefit paid out  |      | (32,040)  |           |
| (4,064)         | Precepts paid   |      | (4,150)   |           |
| (108,920)       | Cash paid to suppliers of goods and services                              |      | (118,496) |           |
| (6,022)         | Interest paid   |      | (6,827)   |           |
| (305,698)       | <b>Cash outflows from operating activities</b>                            |      |           | (315,620) |
| 44,270          | <b>Net cashflows from operating activities</b>                            | 37   |           | 41,709    |
|                 | <b>Investing Activities</b>   |      |           |           |
| (33,512)        | Purchase of property plant and equipment                                  |      | (74,247)  |           |
| (22,000)        | Purchase of short and long term investments                               |      | (39,000)  |           |
| (227,055)       | Other payments for investing activities                                   |      | (212,844) |           |
| 2,847           | Proceeds from sale of PPE and investment properties                       |      | 1,379     |           |
| 10,500          | Proceeds from the short and long term investments                         |      | 26,000    |           |
| 221,621         | Other receipts from investing activities                                  |      | 214,871   |           |
| (47,599)        | <b>Net cash flows from investing activities</b>                           |      |           | (83,841)  |
|                 | <b>Financing Activities</b>   |      |           |           |
| 51,645          | Cash receipts of short and long term borrowing                            |      | 80,630    |           |
| 439             | Other receipts from financing activities                                  |      | 436       |           |
| (45,408)        | Repayments of short and long term borrowing                               |      | (31,999)  |           |
| 2,847           | Other payments for financing activities                                   |      | 1,379     |           |
| 9,523           |   |      |           | 50,446    |
| (38,076)        | <b>Net cashflows from financing activities</b>                            |      |           | (33,395)  |
| 6,194           | <b>Total</b>  |      |           | 8,314     |
|                 | <b>Net increase/(decrease) in cash and cash equivalents</b>               |      |           | 2,120     |
| 2,719           | <b>Cash and cash equivalents at the beginning of the reporting period</b> |      |           | 6,194     |
| 3,475           | <b>Cash and cash equivalents at the end of the reporting period</b>       | 27   |           | 8,314     |
| 6,194           |   |      |           |           |



## Index of Accounting Policies/Summary of Notes

| Notes to the Financial Statements       | Technical Notes   | Notes to the Movement in Reserves Statement                                 |
|---|---|---|
| 1 Statement of Accounting Policies      | 2 Accounting Standards issued not adopted                   | 18 Adjustments between Accounting Basis and Funding Basis Under Regulations |
| I. General Principles                   | 3 Critical Judgements                                       | 19 Movements in Usable Reserves   |
| II. Events after the Reporting Period   | 4 Prior Period Adjustments                                  | Notes to the Balance Sheet  |
| III. Accruals of Income and Expenditure | 5 Assumptions made about the future                         |   |
| IV. Cash and Cash Equivalents           | Notes to the Comprehensive Income and Expenditure Statement |   |
| V. Prior Period Adjustments             | 6 Expenditure and Funding Analysis                          | 20 Property, Plant and Equipment  |
| VI. Government Grants and Contribution  | 7 Note to the Expenditure and Funding analysis              | 21 Investment Properties, including Commercial Properties                   |
| VII. Employee Benefits                  | 8 Segmental income  | 22 Assets Held for Sale   |
| VIII. Overheads and Support Services    | 9 Expenditure and Income Analysed by Nature                 | 23 Heritage Assets  |
| IX. Investment Properties               | 10 Pooled Budgets   | 24 Capital Expenditure  |
| X. Heritage Assets                      | 11 Members Allowances                                       | 25 Financial Instruments  |
| XI. Property, Plant and Equipment (PPE) | 12 Officers Remuneration                                    | 26 Nature and Extent of Risks re Financial Instruments                      |
| XII. Financial Instruments              | 13 External Auditor's Costs                                 | 27 Cash and Cash Equivalents  |
| XIII. Private Finance Initiative (PFI)  | 14 Disclosure of Deployment of Dedicated School Grant       | 28 Contractual Commitments  |
| XIV. Leases                             | 15 Grant Income   | 29 Debtors  |
| XV. Reserves                            | 16 Related Party Transactions                               | 30 Creditors  |
| XVI. Collection Fund                    | 17 Trading Operations                                       | 31 Provisions   |
| XVII. Accounting for Council Tax        |   | 32 Reserves   |
| XVIII. National Non – Domestic Rates    |   | 33 Grants with Conditions still attached                                    |
| XIX. Schools                            |   | 34 Leased Assets  |
|   |   | 35 Private Finance Initiative   |
|   |   | 36 Retirement Benefits  |

| Notes to the Cash Flow |  | Notes to the Collection Fund |  |
|------------------------|--|------------------------------|--|
| 37                     | General Fund Deficit Reconciliation to Revenue Activates Net Cash Inflow | 41                           | Council Tax                                    |
| 38                     | Cash Flow Reconciliation to Balance Sheet                                | 42                           | National Non-Domestic Rates (NNDR)             |
|                        |  | 43                           | MOD Contribution in lieu of Council Tax        |
|                        | Notes Other  | 44                           | Precepts and Demands                           |
|                        |  | 45                           | Transfer to General Fund                       |
| 39                     | Contingent Liabilities   | 46                           | Provision of non payment of Council Tax / NNDR |
| 40                     | Parish Council Precepts  | 47                           | Provision for Appeals                          |
|                        |  | 48                           | Council Tax Base                               |

## NOTE 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 2018/19 financial year and the state of affairs (i.e. the Balance Sheet) at 31 March 2019.

The Financial Statements for 2018/19 are prepared in accordance with the code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the code) issued by The Chartered Institute of Public Finance and Accountancy (CIPFA), International Financial Reporting Standards (IFRS) 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 even though the Council's Balance Sheet shows that the total liabilities exceed our asset base. This is principally due to IAS 19 requiring 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.

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 as at 31 March 2019 for which there is believed to be a significant risk of material adjustment in the forthcoming financial year.

### 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 Financial Statements 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 Financial Statements are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. In this instance, the Financial Statements are 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 Financial Statements are authorised for issue are not reflected in the Financial Statements.

### III. Accruals of income and expenditure

All 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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- The Council has undertaken an exercise to determine the impact of IFRS15 Revenue from Contracts with Customers on the Financial Statements. It is felt that any impact would not be material, therefore no adjustments have been made for this.

- 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 or 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.

#### IV. 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 Council's policy is to include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

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 Council's cash management.

#### V. Prior Period Adjustments

Prior Period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are implemented when required by proper accounting practices or the change provides more relevant information to the users of the accounts. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always existed.

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

#### 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 Council when there is reasonable assurance that:

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

Some grants and contributions have conditions attached by the funding body, which must be met before the Council is entitled to make use of the funding. Grants with conditions are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. This is because grants may have to be returned to the funding body if the conditions are not met.

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 Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council 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 Council 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. 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. 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 Council. 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 2018/19 leave owing as at 31 March 2019 for Support Services and then averaged out to give a total for the whole Council. The accrual re schools is calculated separately. 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 Council 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 Council can no longer withdraw the offer of those benefits or when the Council 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 means 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 i.e. 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.

Similarly, the NHS Pension Scheme is also accounted for as if it were a defined contributions scheme, as the liabilities for these benefits cannot be identified to the Council. No liability for future payments of benefits is recognised in the Balance Sheet, but 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.

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 that are directly related to the management of plan assets., which are 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 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.

### VIII. Overheads and support services

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

**IX. 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.

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. 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.

**X. Heritage assets**

IFRS102 disclosure for 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 asset contents 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.

**XI. 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 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 Council 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 (i.e. repairs and maintenance) is charged as an expense to revenue 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.



Property Plant and Equipment fixed assets are classified under the following headings:

- Land and Buildings, including plant and equipment, shown at Current value;
- Plant and Equipment with a less than 10 year life, shown at depreciated historical cost;
- Infrastructure Assets, shown at depreciated historical cost;
- Community Assets, shown at depreciated historical cost;

Non- operational assets

- Assets under construction, shown at historical cost;
- Assets Held for Sale, shown at Current Value.

Investment properties

- Investment Properties, shown at market value.

### Revaluation

Assets included in the Balance Sheet at current 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.

### 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 – Reducing balance over the remaining life of the property as estimated by our property department or external valuer, between 10 and 60 years
- Vehicles, Plant and Equipment – Reducing balance over the life of the asset, mainly 10 years
- IT Assets are depreciated over five years
- Infrastructure – Reducing balance, 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.

### 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. 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, 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 are categorised as capital receipts and credited to the Capital Receipts Reserve. As part of the 2015 Local Government Spending Review, the Government provided Councils with the flexibility to use Capital Receipts received in the financial years 2016/17, 2017/18 and 2018/19 to fund transformation and restructuring of services in order to achieve efficiencies and revenue cost savings. The 2018/19 settlement extended this flexibility for a further three years to 2021/22.

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.

## XII. Financial instruments

### Financial liabilities

A financial liability is defined as a contractual obligation to transfer economic benefits to another entity, normally in the form of cash. All West Berkshire Council's financial liabilities consist of:

- long term loans (more than 365 days) to finance the acquisition of capital assets, including debt embedded in the Waste PFI contract;
- short term loans for the purpose of managing cash flow (no more than 364 days);
- and trade creditors.

Under both IAS39 (which applied to the 2017/18 accounts) and IFRS9 (which applies to the 2018/19 accounts, long and short term loans are classified as "Borrowings Held at Amortised Cost". Trade creditors, however, which under IAS39 were classified as "Carried at Contract Cost", are shown in the 2018/19 accounts as "Creditors Held at Amortised Cost".

In accordance with IFRS9, financial liabilities are recognised on the Balance Sheet when the loan is advanced or in the case of trade creditors when payment for the service provided becomes due.

All West Berkshire's financial liabilities are initially recognised on the Balance Sheet at the amount of the original transaction i.e. the principal amount of the loan or the amount owed for services provided. The liability held on the Balance Sheet is reduced by repayments of principal or payments of trade creditors made during the financial year. This means that the amount shown in the Balance Sheet represents the amount of principal repayable at the end of the accounting period.

Annual payments of interest in respect of any loans or outstanding trade creditors are charged to the Comprehensive Income and Expenditure Statement. Interest charges are calculated as the carrying amount of the liability, multiplied by the effective rate of interest.

No circumstances have arisen in the financial year 2018/19 which would require the amounts of financial liabilities held to be amortised and no penalties for early repayment of loans have been incurred.

### Financial assets

A financial asset is defined as a contractual right for future economic benefits to be transferred to the Council from another entity. West Berkshire Council's financial assets consist of:

- cash;
- deposits in instant access bank accounts and money market funds;
- amounts loaned to other individuals or entities for a fixed period, mainly fixed term deposits with building societies (short term investments);
- and other sums owed to the Council e.g. for services provided (debtors).

These assets are all held for the purpose of receiving cashflows on specified dates (mainly in the form of repayment of principal and interest). In the 2017/18 Statement of Accounts short term investments were classified in accordance with IAS39 as "Loans and Receivables" and debtors as "Debtors Carried at Contract Amount". The basis of reporting for the financial year 2018/19 has changed from IAS39 to IFRS9. In 2018/19, therefore short term investments are classified as "Investments Held at Amortised Cost and debtors as "Debtors Held at Amortised Cost".

In accordance with IFRS 9 Financial assets are recognised on the Balance Sheet when the Council makes a cash deposit or enters into a loan or investment agreement or when payment for services provided becomes due. The amount shown in the Balance Sheet therefore represents the outstanding amount payable at the end of the accounting period. This does not represent any change to the value of financial assets from the IAS39 basis.

Interest received on the amounts lent or invested by the Council are credited to the Comprehensive Income and Expenditure Statement. Interest is calculated as the carrying amount of loan, investment or debt, multiplied by the rate of interest stated in the relevant agreement.

No circumstances have arisen in the financial year 2018/19 which would require the values of financial assets to be amortised.

The Council does not currently hold any financial assets for sale or for any other purposes than to collect contractual cashflows. Neither does the Council currently hold any equity instruments.

### **Fair value of financial liabilities and assets**

Although all the Council's financial liabilities and assets are held on the Balance Sheet at their original value (or amortised value, if applicable), the notes to the accounts also show, for comparison purposes, the fair value of financial assets and liabilities, taking into account the time scale of the asset or liability and potential future changes in interest rates.

The fair value of the Council's long term loans from the Public Works Loans Board (PWLB) is calculated by the PWLB, as the aggregate net present value of future cash flows, discounted using the appropriate discount rate taken from the PWLB's premature repayment rates as at the 31<sup>st</sup> March.

The fair value of all the Council's other financial assets and liabilities is deemed to be equal to their carrying value. This is because these assets and liabilities are planned to be held for no more and one year, or in the case of debt embedded in the PFI contract, because it is a notional figure derived from the original assumptions in the PFI contract.

### XIII. 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.

### XIV. 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 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.

## **XV. 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.

## **XVI. 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 Council 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 Council and the government).

## **XVII. 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.

## **XVIII. 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.

#### **XIX. 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.

DRAFT

## Note 2 Accounting Standards issued not adopted

Under the code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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.

At the Balance Sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their Balance Sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1<sup>st</sup>April 2020.

- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts.
- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.



### Note 3 Critical judgements in applying accounting policies:

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 critical judgements made in the Statement of Accounts are:

- The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements according to whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied.
- The Council has considered its accounting classification for each school and 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. No impairment is recognised by the Council prior to the transfer.

## Note 4 Prior Period Adjustment:

### Fixed Asset Prior Period Adjustment

In consultation with the Council's External Auditors Grant Thornton, it was agreed that the majority of the disposals in 2018/19 related to a prior period.

A number of Modular buildings no longer existed on the school sites, some caretakers houses had been revalued as part of the school valuation, and a number of Properties were now on long term leases with the Town or Parish Councils.

In Assets Held for Sale there was a depreciation charge in 2018/19 carry forward from 2017/18.

The total of the disposals came to £4,764k and the depreciation written back was £426k, a figure of £4,338 has been removed as a prior period adjustment in 2017/18.

2017/18: In the balance sheet the Property, Plant and Equipment amount reduced by £4,764k and Surplus Assets increased from £2,074k to £2,500k, the Capital Adjustment Account in the unusable reserves was also amended by £4,338k.

This resulted in the closing balance in 2017/18 being £4,338k lower.

In the Comprehensive Income and Expenditure statement: the gain or loss on the disposal of non-current assets changed from a gain of £54k to a loss of £4,710k.

2018/19: In the balance sheet the opening balance was £4,338k lower than originally stated.

In the Comprehensive Income and Expenditure Statement the gain or loss on the disposal of non-current assets changed from a loss of £5,293k to a loss of £529k.

In the Environment Directorate the expenditure in the net cost of services reduced by £426k.

Both years there was a change to the surplus or deficit on the provision of services.

The Movement through reserves statement and the tables that feed from the main statements have been restated for 2017/18 to reflect the changes.

| Balance Sheet                                |      | 31 March         | 31 March         | Amount of    |
|--|------|------------------|------------------|--------------|
|  |      | 2018             | 2018             | Restatement  |
|  |      |                  | Restated         |              |
| Table 7                                      | Note | £000             | £000             |              |
| <b>Non-Current Assets</b>                    |      |                  |                  |              |
| Property, Plant and Equipment                | 19   | 416,180          | 411,416          | 4,764        |
| Investment properties                        | 20   | 26,023           | 26,023           | 0            |
| <b>Total Property, Plant and Equipment</b>   |      | <b>442,203</b>   | <b>437,439</b>   | 4,764        |
| Long Term Debtors                            |      | 103              | 103              | 0            |
| <b>TOTAL LONG TERM ASSETS</b>                |      | <b>442,306</b>   | <b>437,542</b>   | <b>4,764</b> |
| <b>Current Assets</b>                        |      |                  |                  |              |
| Short term investments                       | 24   | 18,000           | 18,000           | 0            |
| Inventories                                  |      | 9                | 9                | 0            |
| Short term debtors                           | 28   | 21,365           | 21,365           | 0            |
| Assets held for sale                         | 21   | 2,074            | 2,500            | (426)        |
| Surplus assets                               | 19   | 623              | 623              | 0            |
| Cash and cash equivalents                    | 26   | 6,194            | 6,194            | 0            |
| <b>TOTAL CURRENT ASSETS</b>                  |      | <b>48,265</b>    | <b>48,691</b>    | <b>(426)</b> |
| <b>TOTAL ASSETS</b>                          |      | <b>490,571</b>   | <b>486,233</b>   | 4,338        |
| <b>TOTAL CURRENT LIABILITIES</b>             |      | <b>(43,325)</b>  | <b>(43,325)</b>  | 0            |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      | <b>447,246</b>   | <b>442,908</b>   | <b>4,338</b> |
| Long term Liabilities                        |      | (487,833)        | (487,833)        | 0            |
| <b>TOTAL ASSETS LESS LIABILITIES</b>         |      | <b>(40,587)</b>  | <b>(44,925)</b>  | 4,338        |
| <b>Usable Reserves</b>                       |      | 60,490           | 60,490           | 0            |
| Unusable reserves, excl Pensions             | 31   | 216,215          | 211,877          | 4,338        |
| Pension Reserve                              | 35   | (317,292)        | (317,292)        | 0            |
| <b>Total Unusable Reserves</b>               | 31   | <b>(101,077)</b> | <b>(105,415)</b> | 4,338        |
| <b>TOTAL DEFICIT ON RESERVES</b>             |      | <b>(40,587)</b>  | <b>(44,925)</b>  | 4,338        |

| Comprehensive<br>Income & Expenditure Statement<br>Table 05B |           | 31 March<br>2018<br>£000 | 31 March<br>2018<br>Restated<br>£000 | Amount of<br>Restatement |
|--|-----------|--------------------------|--------------------------------------|--------------------------|
|  | Note      |                          |                                      |                          |
| <b>Net Expenditure on Continuing Services</b>                |           |                          |                                      |                          |
| Communities Directorate                                      |           | 84,651                   | 84,651                               | 0                        |
| Environment Directorate                                      |           | 44,203                   | 43,777                               | 426                      |
| Resources Directorate including Support Services             |           | 17,642                   | 17,642                               | 0                        |
| Capital Financing and Risk Management                        |           | (166)                    | (166)                                | 0                        |
| <b>Net Cost of Services</b>                                  | <b>6</b>  | <b>146,330</b>           | <b>145,904</b>                       | <b>426</b>               |
| (Gain) / loss on the disposal of non current assets          |           | (54)                     | 4,710                                | (4,764)                  |
| Precepts to Parishes   |           | 4,064                    | 4,064                                | 0                        |
| Levies Payable   |           | 145                      | 145                                  | 0                        |
| (Surpluses)/deficits on trading undertakings                 | <b>17</b> | 834                      | 834                                  | 0                        |
| <b>Other Operating Expenditure</b>                           |           | <b>4,989</b>             | <b>9,753</b>                         | <b>(4,764)</b>           |
| <b>Financing and Investment Income and Expenditure</b>       |           | <b>9,683</b>             | <b>9,683</b>                         | <b>0</b>                 |
| <b>Net Operating Expenditure</b>                             |           | <b>161,002</b>           | <b>165,340</b>                       | <b>(4,338)</b>           |
| <b>Taxation and Non Specific Grant Income</b>                |           | <b>(146,003)</b>         | <b>(146,003)</b>                     | <b>0</b>                 |
| <b>Surplus or Deficit on Provision of Services</b>           |           | <b>14,999</b>            | <b>19,337</b>                        | <b>(4,338)</b>           |
| <b>Total Comprehensive Income &amp; Expenditure</b>          |           | <b>(7,507)</b>           | <b>(3,169)</b>                       | <b>(4,338)</b>           |

| Movement in Reserves<br>Statement<br>2017/18 Restated<br>Table 6b           |              | 31 March<br>2018<br>£000 | 31 March<br>2018<br>Restated<br>£000 | Amount of<br>Restatement<br>£000 |
|---|--------------|--------------------------|--------------------------------------|----------------------------------|
|   | Note         |                          |                                      |                                  |
| <b>Balance as at 31 March 2017</b>  |              | <b>19,301</b>            | <b>19,301</b>                        | <b>0</b>                         |
| Surplus or Deficit on the Provision of Services                             |              | (14,999)                 | (19,337)                             | 4,338                            |
| Adjustments between accounting basis<br>and funding basis under regulations | <b>18</b>    | 15,727                   | 20,065                               | (4,338)                          |
| <b>Increase / (Decrease) in Year</b>  |              | <b>728</b>               | <b>728</b>                           | <b>0</b>                         |
| <b>Balance as at 31 March 2018</b>  | <b>19/32</b> | <b>20,029</b>            | <b>20,029</b>                        | <b>0</b>                         |

## Note 5 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### 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 1<sup>st</sup> April 2018 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.

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.

### Fair Value estimations – of Land and Buildings

The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible.

Estimated fair values may differ from the actual prices that could be achieved.

#### **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.

### 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 effects 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.

### Business Rates (NNDR) – safety net

Following the 2017 revaluation of business hereditaments a new way of appealing was introduced. The 'Check Challenge Appeal' process means that we are unable to determine how many properties have proceeded to appeal stage. A provision has been made for future losses on appeals and recent advice suggested a figure of 5% of business rates.

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 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).

### Provision for Doubtful Debts

As at the 31 March 2018 the Council had an outstanding balance of short term debtors totalling £29.9m. 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 or too large 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.



**Notes Supporting the Comprehensive Income and Expenditure Account**

## NOTE 6 Expenditure and Funding Analysis

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.

| 2017/18 Restated  |  |   | Table 9  | 2018/19   |  |   |
|---|--|---|--|---|--|---|
| 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  |
| 62,170  | 22,481   | 84,651  | <b>Communities Directorate</b>   | 67,900  | 16,484   | 84,384  |
| 30,222  | 13,555   | 43,777  | <b>Environment Directorate</b>   | 29,644  | 13,456   | 43,100  |
| 12,505  | 5,137  | 17,642  | <b>Resources Directorate (including Support Services)</b>  | 9,985   | 10,385   | 20,370  |
| 12,789  | (12,955)   | (166)   | <b>Capital Financing and Risk Management</b>   | 11,817  | (11,946)   | (129)   |
| 117,686   | 28,218   | 145,904   | <b>Net Cost of Services</b>  | 119,346   | 28,379   | 147,725   |
| (118,414)   | (8,153)  | (126,567)   | <b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>  | (129,272)   | (13,940)   | (143,212)   |
| (728)   | 20,065   | 19,337  | <b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | (9,926)   | 14,439   | 4,513   |
| (19,301)  |  |   | <b>Opening General Fund</b>  | (20,029)  |  |   |
| (728)   |  |   | <b>Less / Plus surplus or (deficit) on General Fund</b>  | (9,926)   |  |   |
| (20,029)  |  |   | <b>Closing General Fund as at 31st March 2018</b>  | (29,955)  |  |   |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustment.



## NOTE 7 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

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.

### Adjustments between Funding and Accounting Basis

| 2017/18 Restated                 |  |                    |                   | Adjustments between Funding and Accounting Basis<br>Table 10  |                                  |  |                    | 2018/19           |  |  |  |
|----------------------------------|--|--------------------|-------------------|---|----------------------------------|--|--------------------|-------------------|--|--|--|
| Adj for Capital Purposes<br>£000 | Net Change for the Pension Adj<br>£000 | Other Diff<br>£000 | Total Adj<br>£000 |   | Adj for Capital Purposes<br>£000 | Net Change for the Pension Adj<br>£000 | Other Diff<br>£000 | Total Adj<br>£000 |  |  |  |
| 15,425                           | 5,991                                  | 1,065              | 22,481            | Communities Directorate   | 13,590                           | 4,568                                  | (1,674)            | 16,484            |  |  |  |
| 12,544                           | 3,343                                  | (2,332)            | 13,555            | Environment Directorate   | 12,283                           | 2,651                                  | (1,478)            | 13,456            |  |  |  |
| (2,143)                          | 2,789                                  | 4,491              | 5,137             | Resources Directorate (including Support Services)  | 1,482                            | 6,624                                  | 2,279              | 10,385            |  |  |  |
| 0                                | (1,491)                                | (11,464)           | (12,955)          | Capital Financing and Risk Management   | 0                                | 0                                      | (11,946)           | (11,946)          |  |  |  |
| 25,826                           | 10,632                                 | (8,240)            | 28,218            | Net Cost of Services  | 27,355                           | 13,843                                 | (12,819)           | 28,379            |  |  |  |
| (25,566)                         | 8,435                                  | 8,978              | (8,153)           | Other Income and Expenditure from the Expenditure and Funding Analysis  | (31,061)                         | 7,873                                  | 9,248              | (13,940)          |  |  |  |
| 260                              | 19,067                                 | 738                | 20,065            | Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | (3,706)                          | 21,716                                 | (3,571)            | 14,439            |  |  |  |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustment.

The adjustment for Capital Purposes column includes:

- Depreciation, impairment and revaluation gains and losses are added into the service line;
- Included in the other income and expenditure line are capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. Also adjustments for the statutory charges for capital financing and investments, for example minimum revenue provision and other revenue contributions are deducted because these are not chargeable under generally accepted accounting practices. This line is also credited with capital grants without conditions received with in the year and those where by the conditions have been satisfied.

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 Council as allowed by statute and the replacement with current service costs and past service costs.
- For the other income and expenditure line this adjusts for the net interest on the defined benefit liability which is charged to the Comprehensive Income and Expenditure Statement.

The Other Differences column shows the other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- For services, this represents removal of the annual leave accrual adjustment.
- For the other income and expenditure line the other differences column recognises adjustments to the General Fund for the timing differences for premiums, discounts and financial instruments. Also included is the difference between what is chargeable under statutory regulations for council tax and NNDR and what 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.

## Note 8 Segmental Income

Income received on a segmental basis is analysed below:

| Income received on a segmental basis:   |  |
|---|--|
| Table 11                                |  |
| 2017/18<br>Income from Services<br>£000 | 2018/19<br>Income from Services<br>£000                    |
|   | <b>Communities Directorate</b>                             |
| (9,260)                                 | Fees & Charges (10,848)                                    |
| (110,695)                               | Grants (113,844)   |
| (7,066)                                 | Contributions & reimbursements (6,627)                     |
| (5)                                     | Other income (1)   |
| (83)                                    | Financial account adjustments (1,777)                      |
| (127,109)                               | Total (133,097)  |
|   | <b>Environment Directorate</b>                             |
| (9,079)                                 | Fees & Charges (10,148)                                    |
| (2,873)                                 | Grants (3,159)   |
| (3,929)                                 | Contributions & reimbursements (4,280)                     |
| 0                                       | Other income (1)   |
| (11)                                    | Financial account adjustments 0                            |
| (15,892)                                | Total (17,588)   |
|   | <b>Resources Directorate</b>                               |
| (930)                                   | Fees & Charges (1,621)                                     |
| (37,885)                                | Grants (33,195)  |
| (7,595)                                 | Contributions & reimbursements (8,828)                     |
| (1)                                     | Other income (1)   |
| (183)                                   | Financial account adjustments (119)                        |
| (46,594)                                | Total Income Analysed on a segmental basis (43,764)        |
|   | <b>Capital Financing &amp; Risk Management Directorate</b> |
| (166)                                   | Fees & Charges (137)                                       |
| 0                                       | Other income (1,628)                                       |
| 0                                       | Financial account adjustments (160)                        |
| (166)                                   | Total Income Analysed on a segmental basis (1,925)         |
| (189,761)                               | Total of all Segments (196,374)                            |

## Note 9 Expenditure and Income Analysed by Nature

| The Authority's expenditure and income is analysed as follows:<br>Table 12 |   |                     |
|--|---|---------------------|
| 2017/18<br>Restated  |   | 2018/19             |
| £000   | Expenditure / Income  | £000                |
| <b>Expenditure</b>   |   |                     |
| 138,043  | Employee Benefits Expenses  | 144,572             |
| 183,560  | Other Services Expenses   | 185,819             |
| 1,842  | Trading Expenditure (exc employee and capital costs)              | 2,017               |
| 19,521   | Depreciation, Amortisation, Impairment                            | 15,777              |
| 6,022  | Interest Payments   | 6,827               |
| 4,209  | Precepts and Levies   | 4,297               |
| 8,435  | Remeasurement of Net Defined Benefit                              | 7,873               |
| 4,710  | Loss on Disposal of Assets  | 529                 |
| <u>366,342</u>   | <b>Total Expenditure</b>  | <u>367,711</u>      |
| <b>Income</b>  |   |                     |
| (189,761)  | Fees Charges and Other Service Income                             | (196,374)           |
| (10,873)   | Trading Income  | (8,456)             |
| (367)  | Interest and Investment Income                                    | (700)               |
| (110,198)  | Income from Council Tax, Non-Domestic Rates, District Rate Income | (122,913)           |
| (35,806)   | Government Grants and Contributions                               | (34,755)            |
| 0  | Gain on Disposal of Assets  | 0                   |
| <u>(347,005)</u>   | <b>Total Income</b>   | <u>(363,198)</u>    |
| <u><b>19,337</b></u>   | <b>Surplus or Deficit on the Provision of Services</b>            | <u><b>4,513</b></u> |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustment.

## Note 10 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.

The Better Care Fund (BCF) was established in 2015 as a pooled budget under Section 75 of the 2006 National Health Service Act. It is a programme spanning both the NHS and local government which seeks to provide an integrated health and social care service. The Council entered into a Section 75 agreement with NHS Berkshire West CCG to comply with the requirements of the Better Care Fund which aims and benefits include:

- Improving the quality and efficiency of Health and Social Care Services
- Meeting the National Conditions set by NHS England and Local Objectives
- Making more effective use of resources through the establishment and maintenance of a pooled fund for revenue expenditure on the Services.

| 2017/18<br>£000                               | Berkshire Community Equipment Service<br>Table 13a | 2018/19<br>£000 |
|---|--|-----------------|
| <b>Funding provided to the pooled budget</b>  |  |                 |
| (778)   | West Berkshire                                     | (1,103)         |
| (4,512)                                       | Berkshire clinical commissioning groups            | (5,380)         |
| (2,278)                                       | Other unitary authorities                          | (2,569)         |
| <u>(7,568)</u>                                | <b>Total income</b>                                | <u>(9,052)</u>  |
| <b>Expenditure met from the pooled budget</b> |  |                 |
| 778   | West Berkshire                                     | 1,103           |
| 4,512   | Berkshire clinical commissioning groups            | 5,380           |
| 2,278   | Other unitary authorities                          | 2,569           |
| <u>7,568</u>                                  | <b>Total expenditure</b>                           | <u>9,052</u>    |

| 2017/18<br>£000                               | Better Care Fund (Revenue)<br>Table 13b | 2018/19<br>£000 |
|---|---|-----------------|
| <b>Funding provided to the pooled budget</b>  |   |                 |
| (3,435)                                       | NHS Newbury & District CCG              | 0               |
| (1,645)                                       | NHS North & West Reading CCG            | 0               |
| 0   | NHS Berkshire West CCG                  | (5,294)         |
| <u>(5,080)</u>                                | <b>Total income</b>                     | <u>(5,294)</u>  |
| <b>Expenditure met from the pooled budget</b> |   |                 |
| West Berkshire:                               |   |                 |
| 597   | Physical Support                        | 609             |
| 386   | Memory & Cognition Support              | 394             |
| 1,983   | Learning Disabilities Support           | 2,023           |
| 642   | Carers Support                          | 655             |
| 856   | Reablement                              | 873             |
| 477   | Projects                                | 601             |
| 139   | Other                                   | 139             |
| <u>5,080</u>                                  | <b>Total expenditure</b>                | <u>5,294</u>    |

## Note 11 Members' Allowances

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

| 2017/18<br>£000 | Members' Allowances<br>Table 14 | 2018/19<br>£000 |
|-----------------|---------------------------------|-----------------|
| 522             | Salaries                        | 539             |
| 19              | National Insurance              | 0               |
| 14              | Car Allowance                   | 14              |
| <u>1</u>        | Employees'/Members' Expenses    | <u>1</u>        |
| <u>556</u>      |                                 | <u>554</u>      |

### NOTE

Amounts which are not direct payments to Members have been excluded.  
to comply with disclosure requirements. Prior year has not been restated.

## Note 12 Officers' Remuneration

### Exit packages

The Council terminated the contracts of a number of employees in 2018/19. 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 | 2017/18                 |                  |                     |                 | 2018/19                 |                  |                     |                 |
|----------------------|-------------------------|------------------|---------------------|-----------------|-------------------------|------------------|---------------------|-----------------|
|                      | Compulsory redundancies | Other departures | Total exit packages | Total cost £000 | Compulsory redundancies | Other departures | Total exit packages | Total cost £000 |
| <b>COUNCIL</b>       |                         |                  |                     |                 |                         |                  |                     |                 |
| Up to £19,999        | 26                      | 5                | 31                  | 194             | 8                       | 3                | 11                  | 89              |
| £20,000 - £39,999    | 1                       | 1                | 2                   | 65              | 2                       | 0                | 2                   | 53              |
| £40,000 - £59,999    | 1                       | 0                | 1                   | 46              | 2                       | 0                | 2                   | 92              |
| £60,000 - £79,999    | 0                       | 0                | 0                   | 0               | 0                       | 0                | 0                   | 0               |
|                      | <u>28</u>               | <u>6</u>         | <u>34</u>           | <u>305</u>      | <u>12</u>               | <u>3</u>         | <u>15</u>           | <u>234</u>      |
| <b>SCHOOLS</b>       |                         |                  |                     |                 |                         |                  |                     |                 |
| Up to £19,999        | 41                      | 4                | 45                  | 223             | 10                      | 7                | 17                  | 95              |
| £20,000 - £39,999    | 2                       | 2                | 4                   | 112             | 2                       | 0                | 2                   | 51              |
| £40,000 - £59,999    | 1                       | 0                | 1                   | 46              | 0                       | 0                | 0                   | 0               |
|                      | <u>44</u>               | <u>6</u>         | <u>50</u>           | <u>381</u>      | <u>12</u>               | <u>7</u>         | <u>19</u>           | <u>146</u>      |

The number of employees whose remuneration including redundancy costs but excluding pension contributions was £50k or more in bands of £5k, including the senior officers, is detailed in Table 16 below.

| Remuneration Bandings | Schools             |         |                  |         | Council Staff       |         |                  |         | TOTALS              |         |                  |         |
|-----------------------|---------------------|---------|------------------|---------|---------------------|---------|------------------|---------|---------------------|---------|------------------|---------|
|                       | Number of employees |         | Left during year |         | Number of employees |         | Left during year |         | Number of employees |         | Left during year |         |
|                       | 2017/18             | 2018/19 | 2017/18          | 2018/19 | 2017/18             | 2018/19 | 2017/18          | 2018/19 | 2017/18             | 2018/19 | 2017/18          | 2018/19 |
| Table 16              |                     |         |                  |         |                     |         |                  |         |                     |         |                  |         |
| £50k-£54k             | 28                  | 37      | 2                | 3       | 34                  | 47      | 0                | 6       | 62                  | 84      | 2                | 9       |
| £55k-£59k             | 19                  | 26      | 0                | 1       | 20                  | 22      | 1                | 4       | 39                  | 48      | 1                | 5       |
| £60k-£64k             | 16                  | 19      | 0                | 3       | 16                  | 19      | 0                | 4       | 32                  | 38      | 0                | 7       |
| £65k-£69k             | 12                  | 14      | 0                | 1       | 8                   | 15      | 1                | 1       | 20                  | 29      | 1                | 2       |
| £70k-£74k             | 3                   | 8       | 0                | 1       | 6                   | 5       | 2                | 0       | 9                   | 13      | 2                | 1       |
| £75k-£79k             | 4                   | 1       | 1                | 0       | 1                   | 4       | 1                | 0       | 5                   | 5       | 2                | 0       |
| £80k-£84k             | 3                   | 2       | 0                | 0       | 6                   | 1       | 0                | 1       | 9                   | 3       | 0                | 1       |
| £85k-£89k             | 1                   | 3       | 0                | 0       | 3                   | 4       | 0                | 0       | 4                   | 7       | 0                | 0       |
| £90k-£94k             | 2                   | 0       | 0                | 0       | 0                   | 3       | 0                | 0       | 2                   | 3       | 0                | 0       |
| £95k-£99k             | 3                   | 3       | 0                | 1       | 0                   | 1       | 0                | 0       | 3                   | 4       | 0                | 1       |
| £100k-£104k           | 1                   | 2       | 0                | 0       | 0                   | 2       | 0                | 0       | 1                   | 4       | 0                | 0       |
| £105k-£109k           | 0                   | 1       | 0                | 0       | 1                   | 0       | 0                | 1       | 1                   | 1       | 0                | 1       |
| £110k-£114k           | 0                   | 0       | 0                | 0       | 1                   | 1       | 0                | 0       | 1                   | 1       | 0                | 0       |
| £115k-£119k           | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       |
| £120k-£124k           | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       |
| £130k-£134k           | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       |
| £135k-£139k           | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       |
| £140k-£144k           | 0                   | 0       | 0                | 0       | 1                   | 0       | 0                | 0       | 1                   | 0       | 0                | 0       |
| £145k-£150k           | 0                   | 0       | 0                | 0       | 0                   | 1       | 0                | 0       | 0                   | 1       | 0                | 0       |
| £165k-£164k           | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       | 0                   | 0       | 0                | 0       |
|                       | 92                  | 116     | 3                | 10      | 97                  | 125     | 5                | 17      | 189                 | 241     | 8                | 27      |

Executive Remuneration



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. The Director of Communities role was unoccupied for a significant proportion of the financial year.

| Executive Remuneration               |                | Salary<br>(Including fees<br>& allowances) | Note | Benefits<br>in<br>Kind | Remuneration<br>excluding<br>pension<br>contributions | Pension contributions | Remuneration<br>including<br>pension<br>contributions |
|--------------------------------------|----------------|--|------|------------------------|---|-----------------------|---|
| Table 17                             |                | £  |      | £                      | £   | £                     | £   |
| <b>Chief Executive - Nick Carter</b> |                |  |      |                        |   |                       |   |
| Resources                            | 2018/19        | 143,823                                    |      | 0                      | 143,823   | 28,875                | 172,698   |
|                                      | 2017/18        | 141,101                                    |      | 0                      | 141,101   | 25,995                | 167,096   |
| <b>Corporate Directors</b>           |                |  |      |                        |   |                       |   |
| Environment                          | 2018/19        | 112,668                                    |      | 0                      | 112,668   | 22,603                | 135,271   |
|                                      | 2017/18        | 110,537                                    |      | 0                      | 110,537   | 20,349                | 130,886   |
| Communities                          | 2018/19        | 11,393                                     | *    | 0                      | 11,393  | 2,370                 | 13,763  |
|                                      | 2017/18        | 106,537                                    |      | 0                      | 106,537   | 20,349                | 126,886   |
| <b>Senior Council Personnel</b>      |                |  |      |                        |   |                       |   |
| Head of Education                    | 2018/19        | 97,317                                     | **   | 0                      | 97,317  | 19,514                | 116,831   |
|                                      | 2017/18        | 84,914                                     |      | 0                      | 84,914  | 15,550                | 100,464   |
| Head of Legal Services               | 2018/19        | 75,027                                     |      | 0                      | 75,027  | 15,060                | 90,087  |
|                                      | 2017/18        | 67,309                                     |      | 4,314                  | 71,623  | 12,764                | 84,387  |
| Head of Human Resources              | 2018/19        | 83,043                                     |      | 5,705                  | 88,748  | 17,273                | 106,021   |
|                                      | 2017/18        | 81,414                                     |      | 4,892                  | 86,306  | 15,550                | 101,856   |
| Head of Finance and<br>Property      | 2018/19        | 83,043                                     |      | 3,159                  | 86,202  | 17,273                | 103,475   |
|                                      | 2017/18        | 81,414                                     |      | 2,697                  | 84,111  | 15,550                | 99,661  |
| <b>TOTAL</b>                         | <b>2018/19</b> | <b>606,314</b>                             |      | <b>8,864</b>           | <b>615,178</b>  | <b>122,968</b>        | <b>738,146</b>  |
| <b>TOTAL</b>                         | <b>2017/18</b> | <b>673,226</b>                             |      | <b>11,903</b>          | <b>685,129</b>  | <b>126,107</b>        | <b>811,236</b>  |

### Note 13 External Auditor's Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and other audits:

| 2017/18<br>£000 | Audit fees<br>Table 18                                | 2018/19<br>£000 |
|-----------------|---|-----------------|
| 94              | Fees payable with regard to external audit services   | 74              |
| 11              | Fees payable with regard to grants audit              | 10              |
| 3               | Fees payable with regard to audit of teachers pension | 3               |
| <u>108</u>      | <b>Total</b>  | <u>87</u>       |

DRAFT

DRAFT

## Note 14 Disclosure of Deployment of Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). The DSG allocation is largely 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 2018.

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 primary and secondary school.

Details of the deployment of DSG received for 2018/19 and 2017/18 are as follows:

DRAFT

| 2017/18                |   |               | Deployment of<br>Dedicated School Grant<br>Table 19      | 2018/19                        |   |               |
|------------------------|---|---------------|--|--------------------------------|---|---------------|
| Central<br>Expenditure | Individual<br>Schools<br>Budget<br>£000 | Total<br>£000 |  | Central<br>Expenditure<br>£000 | Individual<br>Schools<br>Budget<br>£000 | Total<br>£000 |
|                        |   | 123,513       | Final DSG before Academy recoupment                      |                                |   | 128,607       |
|                        |   | (32,627)      | Final Academy figure recouped                            |                                |   | (33,849)      |
|                        |   | 0             | Final High Needs Recoupment                              |                                |   | (2,110)       |
|                        |   | <u>90,886</u> | <b>Total DSG after Academy and High Needs recoupment</b> |                                |   | <u>92,648</u> |
|                        |   | (741)         | Less: Deficit brought forward from previous year         |                                |   | (14)          |
|                        |   | <u>90,145</u> | <b>Grant Funding</b>                                     |                                |   | <u>92,634</u> |
| 16,380                 | 73,765                                  | 90,145        | <b>Agreed initial budgeted distribution</b>              | 16,496                         | 76,138                                  | 92,634        |
| 0                      |   | 0             | Less: Clawback of early years funding                    | (391)                          | 0                                       | (391)         |
| <u>16,380</u>          | <u>73,765</u>                           | <u>90,145</u> | <b>Final budgeted distribution of DSG funds</b>          | <u>16,105</u>                  | <u>76,138</u>                           | <u>92,243</u> |
| (16,132)               | 0                                       | (16,132)      | Less Actual central expenditure                          | (16,465)                       | 0                                       | (16,465)      |
| 0                      | (74,027)                                | (74,027)      | Less Actual ISB deployed to schools                      | 0                              | (75,878)                                | (75,878)      |
| <u>248</u>             | <u>(262)</u>                            | <u>(14)</u>   | <b>Position against grant allocation at the yearend</b>  | <u>(360)</u>                   | <u>260</u>                              | <u>(100)</u>  |
|                        |   | (14)          | Carry forward to 2019/20                                 |                                |   | (100)         |

## Note 15 Grant income

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2018/19:

| 2017/18<br>£000 | Grant Income<br>Table 20  | 2018/19<br>£000 | 2017/18<br>£000 | Grant Income<br>Table 21                                    | 2018/19<br>£000 |
|-----------------|---|-----------------|-----------------|---|-----------------|
|                 | <b>Credited to taxation and non specific grant income<br/>(non ring fenced)</b> |                 |                 | <b>Credited to Services</b>                                 |                 |
| 3,696           | Revenue Support Grant   | 0               | 90,490          | Dedicated Schools Grant                                     | 92,257          |
| 503             | Adult Social Care Support Grant   | 313             | 37,136          | Housing Benefit Grant                                       | 32,413          |
|                 |   |                 |                 | Learning Support Council, Skills & Educ Funding<br>Agencies | 11,742          |
| 3,667           | New Homes Bonus   | 2,691           | 11,248          | Public Health   | 5,853           |
| 511             | Education Services Grant  | 0               | 6,012           | Private Finance Initiative                                  | 2,312           |
| 1,372           | Transition Grant  | 0               | 2,312           | Improved Better Care Fund                                   | 584             |
| 71              | Community Safety Grant  | 71              | 704             | Housing Benefit Administration                              | 390             |
| 116             | Other   | 90              | 397             | Troubled Families   | 249             |
| <b>9,936</b>    | <b>Total Non Ring Fenced Government Grants</b>                                  | <b>3,165</b>    | 273             | Independent Living Fund                                     | 416             |
|                 |   |                 | 430             | Unaccompanied Asylum Seekers                                | 533             |
|                 | <b>Capital Grants</b>   |                 | 517             | Youth Offending   | 148             |
| 7,397           | Section 106 Contributions   | 8,449           | 148             | Discretionary Housing Payments                              | 274             |
| 18,472          | Capital Grants  | 23,141          | 176             | Council Tax Admin & Support                                 | 103             |
| <b>25,869</b>   | <b>Total Capital Government Grants</b>  | <b>31,590</b>   | 119             | Education Grants (SEND)                                     | 0               |
|                 |   |                 | 226             | Family Safeguard Innovation Prog project fund               | 969             |
|                 |   |                 | 262             | Winter Funding  | 501             |
|                 |   |                 | 0               | Assessments & Accreditation Early Adopters                  | 121             |
|                 |   |                 | 0               | New Burdens   | 196             |
|                 |   |                 | 164             | Homelessness Grant  | 324             |
|                 |   |                 | 112             | Local Authority EU Exit Preparation                         | 105             |
|                 |   |                 | 0               | Bus Service Operators Grant                                 | 137             |
|                 |   |                 | 137             | Other Specific Government Grants                            | 570             |
|                 |   |                 | 614             | <b>Total Government Grants Credited to Services</b>         | <b>150,197</b>  |
|                 |   |                 | <b>151,477</b>  |   |                 |

## Note 16 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 14.

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.

| 2017/18<br>£000 | Related Parties<br>Table 22     | 2018/19<br>£000 |
|-----------------|---------------------------------|-----------------|
| 183             | Corn Exchange Theatre Trust     | 178             |
| 0               | Mare Hare School                | 316             |
| 789             | Francis Construction            | 0               |
| 0               | Readibus                        | 126             |
| 118             | Volunteer Centre West Berkshire | 147             |
| 704             | Gigaclear PLC                   | 630             |
| 186             | Citizens Advice West Berkshire  | 110             |
| 305             | Kennet School - Academy         | 415             |
| 355             | Theale Green School - Academy   | 0               |
| <b>2,640</b>    | <b>Total</b>                    | <b>1,922</b>    |

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):

- Royal Berkshire Fire and Rescue Authority
- Berkshire Maestros Young Musician Trust
- Skills for Care Solutions
- Swings and Smiles
- Various suppliers where expenditure is below £2,000

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.

### Note 17 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. The total income, expenditure and deficit are:

| 2017/18             |                 |                               | Trading Operations             | 2018/19             |                |                               |
|---------------------|-----------------|-------------------------------|--------------------------------|---------------------|----------------|-------------------------------|
| Expenditure<br>£000 | Income<br>£000  | (Surplus)/<br>Deficit<br>£000 | Table 23                       | Expenditure<br>£000 | Income<br>£000 | (Surplus)/<br>Deficit<br>£000 |
| 1,511               | (1,422)         | 89                            | External Trading Accounts      | 2,264               | (2,316)        | (52)                          |
| 8,875               | (9,347)         | (472)                         | Internal Trading Accounts      | 3,038               | (3,356)        | (318)                         |
| <b>10,386</b>       | <b>(10,769)</b> | <b>(383)</b>                  | <b>Net (surplus) / deficit</b> | <b>5,302</b>        | <b>(5,672)</b> | <b>(370)</b>                  |



## Surpluses / Deficits on Trading Undertakings

| Other Operating Expenditure Trading |  |                   |
|-------------------------------------|--|-------------------|
| 2017/18                             | Table 24   | 2018/19           |
| £000                                |  | £000              |
| <b>External Trading Accounts</b>    |  |                   |
| 89                                  | Net (Surplus)/Deficit on Trading Operations        | (52)              |
| 89                                  | Support Services charged to Trading Operations     | 107               |
| 500                                 | Capital charges (depreciation, impairment)         | 161               |
| 97                                  | ISA 19 Pension charges                             | 68                |
| <u>775</u>                          | Net deficit charged to Other Operating Expenditure | <u>284</u>        |
| <b>Internal Trading Accounts</b>    |  |                   |
| (472)                               | Net Surplus on Trading Operations                  | (318)             |
| 195                                 | Support Services charged to Trading Operations     | 214               |
| 74                                  | Capital charges (depreciation, impairment)         | 18                |
| 262                                 | IS19 Pension charges                               | 233               |
| <u>59</u>                           | Net deficit charged to Other Operating Expenditure | <u>147</u>        |
| <u><b>834</b></u>                   | <b>Net deficit</b>                                 | <u><b>431</b></u> |



# Notes Supporting the Movement in Reserves Statement

## Note 18 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 Council 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 Council to meet future capital and revenue expenditure.

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.

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets which under statute, can only be used to fund new capital expenditure, to be set aside to finance historical capital expenditure or to fund transformation and restructuring of services in order to achieve efficiencies and revenue cost savings. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

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 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.

| 2018/19  | General Fund Balance<br>£000 | Usable Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Usable Reserves<br>£000 |
|--|------------------------------|---|----------------------------------|-------------------------|
| <b>Table 25</b>  |                              |   |                                  |                         |
| <b>Adjustments to the Revenue Resources</b>  |                              |   |                                  |                         |
| 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   | 22,017                       | 0                                       | 0                                | 22,017                  |
| Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)   | 1,671                        | 0                                       | 0                                | 1,671                   |
| Holiday Pay (transferred to the Accumulated Absences Reserve)  | (40)                         | 0                                       | 0                                | (40)                    |
| 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)                   | (4,848)                      | 0                                       | 28,392                           | 23,544                  |
| <b>Total adjustments to Revenue Resources</b>  | <b>18,800</b>                | <b>0</b>                                | <b>28,392</b>                    | <b>47,192</b>           |
| <b>Adjustments between Revenue and Capital Resources</b>   |                              |   |                                  |                         |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | (361)                        | 361                                     | 0                                | 0                       |
| Administrative costs of non-current asset disposals (funded by a transfer from the Capital Receipts Reserve)   | 7                            | (7)                                     | 0                                | 0                       |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | (6,629)                      | 0                                       | 0                                | (6,629)                 |
| Flexible Use of Capital Receipts to fund transformational Revenue Expenditure  | 2,622                        | (2,622)                                 | 0                                | 0                       |
| Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account)  | 0                            | 0                                       | 0                                | 0                       |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>(4,361)</b>               | <b>(2,268)</b>                          | <b>0</b>                         | <b>(6,629)</b>          |
| <b>Adjustments to Capital Resources</b>  |                              |   |                                  |                         |
| Use of Capital Receipts Reserve to finance Capital Expenditure   | 0                            | 0                                       | 0                                | 0                       |
| Application of Capital Grants to finance Capital Expenditure   | 0                            | 0                                       | (25,427)                         | (25,427)                |
| <b>Total Adjustments to Capital Resources</b>  | <b>0</b>                     | <b>0</b>                                | <b>(25,427)</b>                  | <b>(25,427)</b>         |
| <b>Total Adjustments</b>   | <b>14,439</b>                | <b>(2,268)</b>                          | <b>2,965</b>                     | <b>15,136</b>           |

| 2017/18 Restated   | General Fund<br>Balance<br>£000 | Usable<br>Capital<br>Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>£000 | Usable<br>Reserves<br>£000 |
|--|---------------------------------|--|-------------------------------------|----------------------------|
| <b>Table 26</b>  |                                 |  |                                     |                            |
| <b>Adjustments to the Revenue Resources</b>  |                                 |  |                                     |                            |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure   |                                 |  |                                     |                            |
| Pension Costs transferred to (or from ) the Pensions reserve   | 19,067                          | 0  | 0                                   | 19,067                     |
| Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)   | 3,053                           | 0  | 0                                   | 3,053                      |
| Holiday Pay (transferred to the Accumulated Absences Reserve)  | 656                             | 0  | 0                                   | 656                        |
| 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) | 32,606                          | 0  | 0                                   | 32,606                     |
| Changes in Fair Value of Investment Properties   | (3,794)                         | 0  | 0                                   | (3,794)                    |
| <b>Total adjustments to Revenue Resources</b>  | <b>51,588</b>                   | <b>0</b>   | <b>0</b>                            | <b>51,588</b>              |
| <b>Adjustments between Revenue and Capital Resources</b>   |                                 |  |                                     |                            |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | (42)                            | 2,991  | 0                                   | 2,949                      |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | (5,799)                         | 0  | 0                                   | (5,799)                    |
| Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account)  | (155)                           | 0  | 0                                   | (155)                      |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>(5,996)</b>                  | <b>2,991</b>                                     | <b>0</b>                            | <b>(3,005)</b>             |
| <b>Adjustments to Capital Resources</b>  |                                 |  |                                     |                            |
| Use of Capital Receipts Reserve to finance Capital Expenditure   | 187                             | (187)  | 0                                   | 0                          |
| Application of Capital Grants to finance Capital Expenditure   | (25,714)                        | 0  | 8,271                               | (17,443)                   |
| <b>Total Adjustments to Capital Resources</b>  | <b>(25,527)</b>                 | <b>(187)</b>                                     | <b>8,271</b>                        | <b>(17,443)</b>            |
| <b>Total Adjustments</b>   | <b>20,065</b>                   | <b>2,804</b>                                     | <b>8,271</b>                        | <b>31,140</b>              |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustments.

Figures in the above table have been adjusted in the General Fund Balance column, they have not altered the total adjustment figure. This was done in conjunction with the changes in the Expenditure and Funding Analysis table.

### Note 19 Movement in Usable Reserves:

|                                 | Balance<br>at 1 April<br>2017<br>£000 | Transfers<br>in<br>2017/18<br>£000 | Transfers<br>out<br>2017/18<br>£000 | Balance<br>at 31<br>March<br>2018<br>£000 | Transfers<br>in<br>2018/19<br>£000 | Transfers<br>out<br>2018/19<br>£000 | Balance<br>at 31<br>March<br>2019<br>£000 |
|---------------------------------|---------------------------------------|------------------------------------|-------------------------------------|---|------------------------------------|-------------------------------------|---|
| Usable Reserves<br>Table 27     |                                       |                                    |                                     |   |                                    |                                     |   |
| General Fund                    | 5,315                                 | 0                                  | (276)                               | 5,039                                     | 1,112                              | 0                                   | 6,151                                     |
| Risk Fund                       | 1,030                                 | 0                                  | 0                                   | 1,030                                     | 0                                  | (1,030)                             | 0   |
| <b>Total General Reserve</b>    | <b>6,345</b>                          | <b>0</b>                           | <b>(276)</b>                        | <b>6,069</b>                              | <b>1,112</b>                       | <b>(1,030)</b>                      | <b>6,151</b>                              |
| <b>Total Working Balances</b>   | <b>2,066</b>                          | <b>3,495</b>                       | <b>(2,958)</b>                      | <b>2,603</b>                              | <b>1,987</b>                       | <b>(2,520)</b>                      | <b>2,070</b>                              |
| Schools Balances                | 4,071                                 | 3,706                              | (4,071)                             | 3,706                                     | 5,334                              | (3,706)                             | 5,334                                     |
| DSG Overspend                   | 0                                     | 0                                  | 0                                   | 0   | (100)                              | 0                                   | (100)                                     |
| Special Expenses                | 11                                    | 22                                 | (32)                                | 1   | 0                                  | (21)                                | (20)                                      |
| Self Insurance Fund             | 708                                   | 350                                | (136)                               | 922                                       | 183                                | (150)                               | 955                                       |
| Long term commitment            | 844                                   | 47                                 | (59)                                | 832                                       | 0                                  | (61)                                | 771                                       |
| Specific Earmarked Reserves     | 4,726                                 | 5,947                              | (5,537)                             | 5,136                                     | 14,351                             | (5,313)                             | 14,174                                    |
| Waste Management Strategy       | 530                                   | 497                                | (267)                               | 760                                       | 185                                | (325)                               | 620                                       |
| <b>Total Earmarked Reserves</b> | <b>10,890</b>                         | <b>10,569</b>                      | <b>(10,102)</b>                     | <b>11,357</b>                             | <b>19,953</b>                      | <b>(9,576)</b>                      | <b>21,734</b>                             |
| <b>Total Capital Reserves</b>   | <b>29,385</b>                         | <b>28,860</b>                      | <b>(17,784)</b>                     | <b>40,461</b>                             | <b>32,951</b>                      | <b>(32,254)</b>                     | <b>41,158</b>                             |
| <b>Total Usable Reserves</b>    | <b>48,686</b>                         | <b>42,924</b>                      | <b>(31,120)</b>                     | <b>60,490</b>                             | <b>56,003</b>                      | <b>(45,380)</b>                     | <b>71,113</b>                             |

**General Reserve:** 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.

**School Balances, excluding DSG 2018/19**

| Table 28                | Nursery<br>£000 | Primary<br>£000 | Secondary<br>£000 | Special<br>£000 | Totals<br>£000 |
|-------------------------|-----------------|-----------------|-------------------|-----------------|----------------|
| <b>Opening balances</b> | 246             | 2,198           | 480               | 782             | 3,706          |
| Transfers to Academies  | 0               | 20              | 0                 | 0               | 20             |
| Restated balances       | 246             | 2,218           | 480               | 782             | 3,726          |
| Movement                | (61)            | 1,569           | 197               | (97)            | 1,608          |
| <b>Closing balances</b> | 185             | 3,787           | 677               | 685             | 5,334          |
| <b>Representing</b>     |                 |                 |                   |                 |                |
| Underspent              | 185             | 3,907           | 768               | 685             | 5,545          |
| Overspent               | 0               | (120)           | (91)              | 0               | (211)          |
| Net balance             | 185             | 3,787           | 677               | 685             | 5,334          |

**Working Balances:** This balance represents resources used for cash flow purposes that are held for consumption in the following financial year.

**Earmarked Reserves:** The amount shown for Earmarked reserves is a number of funds and balances where the amounts are held for specific future projects.

The table below 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.

Includes all school balances for each sector - revenue and capital. Special schools also include the balances of the pupil referral unit.

If schools under spend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31 March 2019 Schools held total balances of £5,334k (2017/18: £3,706k).

**School Balances, excluding DSG 2017/18**

| Table 29                | Nursery<br>£000 | Primary<br>£000 | Secondary<br>£000 | Special<br>£000 | Totals<br>£000 |
|-------------------------|-----------------|-----------------|-------------------|-----------------|----------------|
| <b>Opening balances</b> | 223             | 2,133           | 604               | 1,111           | 4,071          |
| Transfers to Academies  | 0               | 0               | 0                 | 0               | 0              |
| Restated balances       | 223             | 2,133           | 604               | 1,111           | 4,071          |
| Movement                | 23              | 65              | (124)             | (329)           | (365)          |
| <b>Closing balances</b> | 246             | 2,198           | 480               | 782             | 3,706          |
| <b>Representing</b>     |                 |                 |                   |                 |                |
| Underspent              | 246             | 2,730           | 578               | 782             | 4,336          |
| Overspent               | 0               | (532)           | (98)              | 0               | (630)          |
| Net balance             | 246             | 2,198           | 480               | 782             | 3,706          |

The £5,334k (2017/18: £3,706k) is an amalgamation of unspent and overspent balances, of which £5,545 k is the unspent (surplus) and £(211)k is the overspent (deficit) (2017/18: £4,336k and £(630)k respectively). Six schools closed with an overall deficit balance (ten in 2017/18).

From 2015/16 West Berkshire no longer operates 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. Fourteen schools have a year-end surplus of greater than 10% (2017/18: nine), with the excess surpluses totalling £524k (2017/18: £235k).

**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.

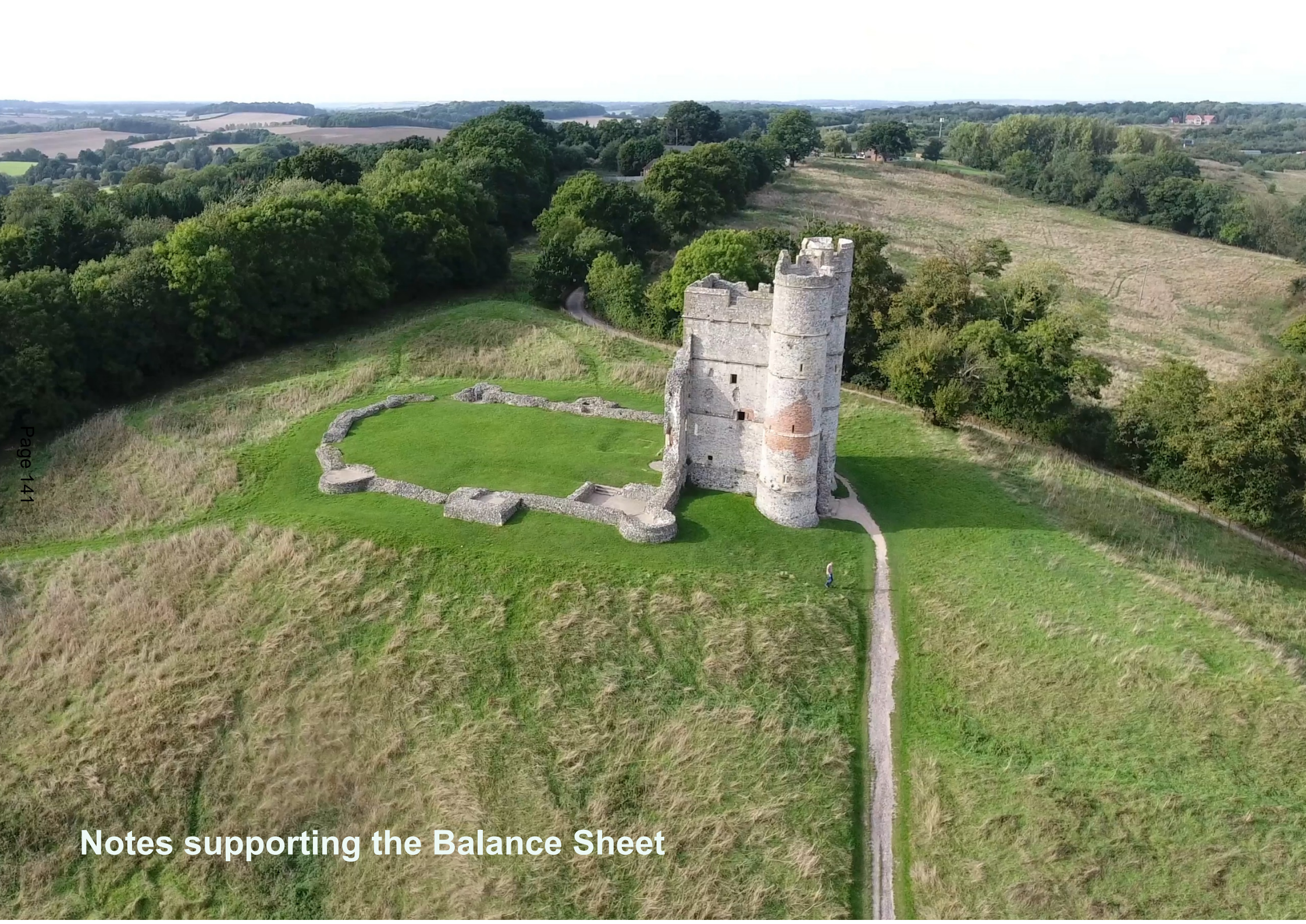
**Self Insurance Fund:** this Fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The Fund is used to pay the first £250k of any property claim and the first £100k of other claims. 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.

**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.





Notes supporting the Balance Sheet

## Note 20 Property, Plant and Equipment

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.

| Movements in Property, Plant & Equipment      |                             |                              |                                  |                             |                           |   |                |
|---|-----------------------------|------------------------------|----------------------------------|-----------------------------|---------------------------|---|----------------|
| 2018/19<br>Table 30a                          | Land &<br>Buildings<br>£000 | Plant &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Surplus<br>Assets<br>£000 | Under<br>construction<br>Assets<br>£000 | TOTAL<br>£000  |
| <b>Valued at Current value</b>                |                             |                              |                                  |                             |                           |   |                |
| Book Value @ start of year                    | 293,310                     | 27,140                       | 234,320                          | 18                          | 774                       | 111                                     | 555,673        |
| Revaluations - Increasing reval reserve       | 71,677                      | 0                            | 0                                | 0                           | 83                        | 0                                       | 71,760         |
| Revaluations - Reducing reval reserve         | (20,715)                    | 0                            | 0                                | 0                           | 0                         | 0                                       | (20,715)       |
| Revaluations - CI&Es                          | (27,654)                    |                              |                                  |                             |                           |   | (27,654)       |
| Reclassifications                             | (1,842)                     | (754)                        | 701                              | 2                           | (768)                     | 0                                       | (2,661)        |
| Additions                                     | 7,165                       | 2,906                        | 14,809                           | 0                           | 0                         | 2,149                                   | 27,029         |
| add back disposals                            |                             |                              |                                  |                             |                           |   |                |
| Disposals                                     | (517)                       | 0                            | 0                                | 0                           | 0                         | 0                                       | (517)          |
| Book Value @ end of year                      | 321,424                     | 29,292                       | 249,830                          | 20                          | 89                        | 2,260                                   | 602,915        |
| Depreciation @ start of year                  | (47,832)                    | (18,467)                     | (77,184)                         | 0                           | (151)                     | 0                                       | (143,634)      |
| Charged to services                           | (8,825)                     | (1,973)                      | (5,812)                          | 0                           | (55)                      | 0                                       | (16,665)       |
| Depreciation written out of reval reserve     | 24,197                      | 0                            | 0                                | 0                           | 1                         | 0                                       | 24,198         |
| Downward revaluation losses/reversals - CI&Es | 27,145                      | 0                            | 0                                | 0                           | 0                         | 0                                       | 27,145         |
| Depreciation on reclassified assets           | 358                         | 753                          | (699)                            | 0                           | 205                       | 0                                       | 617            |
| On disposal                                   | 0                           | 0                            | 0                                | 0                           | 0                         | 0                                       | 0              |
| Balance @ end of year                         | (4,957)                     | (19,687)                     | (83,695)                         | 0                           | 0                         | 0                                       | (108,339)      |
| <b>Net Book Value @ 31/03/19</b>              | <b>316,467</b>              | <b>9,605</b>                 | <b>166,135</b>                   | <b>20</b>                   | <b>89</b>                 | <b>2,260</b>                            | <b>494,576</b> |
| <b>Net Book Value @ 31/03/18</b>              | <b>245,478</b>              | <b>8,673</b>                 | <b>157,136</b>                   | <b>18</b>                   | <b>623</b>                | <b>111</b>                              | <b>412,039</b> |

## Movements in Property, Plant &amp; Equipment

| 2017/18 Restated<br>Table 30b      | Land &<br>Buildings<br>£000 | Plant &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Surplus<br>Assets<br>£000 | Under<br>construction<br>Assets<br>£000 | TOTAL<br>£000  |
|------------------------------------|-----------------------------|------------------------------|----------------------------------|-----------------------------|---------------------------|---|----------------|
| <b>Valued at Current value</b>     |                             |                              |                                  |                             |                           |   |                |
| Book Value @ start of year         | 310,277                     | 28,234                       | 224,728                          | 13                          | 0                         | 0                                       | 563,252        |
| Revaluations                       | (3,852)                     | 0                            | 0                                | 0                           | 0                         | 0                                       | (3,852)        |
| Impairments                        | (7,851)                     | 0                            | 0                                | 0                           | 0                         | 0                                       | (7,851)        |
| Reclassifications                  | (2,307)                     | 0                            | 0                                | 0                           | 758                       | 0                                       | (1,549)        |
| Additions                          | 6,176                       | 2,553                        | 9,592                            | 5                           | 16                        | 111                                     | 18,453         |
| Disposals                          | (9,133)                     | (3,647)                      | 0                                | 0                           | 0                         | 0                                       | (12,780)       |
| Book Value @ end of year           | 293,310                     | 27,140                       | 234,320                          | 18                          | 774                       | 111                                     | 555,673        |
| Depreciation @ start of year       | (51,880)                    | (19,861)                     | (71,397)                         | 0                           | 0                         | 0                                       | (143,138)      |
| Charged to services                | (15,142)                    | (2,058)                      | (5,787)                          | 0                           | (59)                      | 0                                       | (23,046)       |
| On revalued assets                 | 7,265                       | 0                            | 0                                | 0                           | 0                         | 0                                       | 7,265          |
| Depreciation on impaired assets    | 7,154                       | 0                            | 0                                | 0                           | 0                         | 0                                       | 7,154          |
| Depreciation on reclassified asset | 518                         | 0                            | 0                                | 0                           | (92)                      | 0                                       | 426            |
| On disposal                        | 4,253                       | 3,452                        | 0                                | 0                           | 0                         | 0                                       | 7,705          |
| Balance @ end of year              | (47,832)                    | (18,467)                     | (77,184)                         | 0                           | (151)                     | 0                                       | (143,634)      |
| <b>Net Book Value @ 31/03/18</b>   | <b>245,478</b>              | <b>8,673</b>                 | <b>157,136</b>                   | <b>18</b>                   | <b>623</b>                | <b>111</b>                              | <b>412,039</b> |
| <b>Net Book Value @ 31/03/17</b>   | <b>258,397</b>              | <b>8,373</b>                 | <b>153,331</b>                   | <b>13</b>                   | <b>0</b>                  | <b>0</b>                                | <b>420,114</b> |

This table has been changed to show the comparison with the current year table.

The Council 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. The Council's property officer has done a reasonableness check on the asset valuations from previous years from a report our valuer's provided giving views on movements for asset classes.

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, plant and equipment 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.

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 Land and Buildings of this school were revalued during 2017/18 and were valued at £9.17m being £9.03m for building and £0.14m for land.

The table below reflects the current value of the assets valued in each of the five years, together with those assets carries at historic cost.

| Revaluations                    |                        |                          |                       |                  |                |                           |                                   | Assets Held for Sale | Investment Properties |
|---------------------------------|------------------------|--------------------------|-----------------------|------------------|----------------|---------------------------|-----------------------------------|----------------------|-----------------------|
|                                 | Land & Building Assets | Plant & Equipment Assets | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment |                      |                       |
| 2018/19<br>Table 30c            | £000                   | £000                     | £000                  | £000             | £000           | £000                      | £000                              | £000                 | £000                  |
| Valued as Historical Cost       | 3,748                  | 9,605                    | 166,135               | 5                | 0              | 2,260                     | 181,753                           | 0                    | 52,585                |
| Valued at Current Value in year |                        |                          |                       |                  |                |                           |                                   |                      |                       |
| 2018/19                         | 255,473                | 0                        | 0                     | 0                | 89             | 0                         | 255,562                           | 1,003                | 23,365                |
| 2017/18                         | 29,657                 | 0                        | 0                     | 0                | 0              | 0                         | 29,657                            | 0                    |                       |
| 2016/17                         | 18,225                 | 0                        | 0                     | 0                | 0              | 0                         | 18,225                            | 0                    |                       |
| 2015/16                         | 6,250                  | 0                        | 0                     | 0                | 0              | 0                         | 6,250                             | 709                  |                       |
| 2014/15                         | 2,575                  | 0                        | 0                     | 0                | 0              | 0                         | 2,575                             | 0                    |                       |
| 2013/14                         | 539                    | 0                        | 0                     | 0                | 0              | 0                         | 539                               | 0                    |                       |
| 2012/13 or prior                | 0                      | 0                        | 0                     | 15               | 0              | 0                         | 15                                | 0                    |                       |
| <b>Total</b>                    | <b>316,467</b>         | <b>9,605</b>             | <b>166,135</b>        | <b>20</b>        | <b>89</b>      | <b>2,260</b>              | <b>494,576</b>                    | <b>1,712</b>         | <b>75,950</b>         |

As can be seen, the majority of the Council's Land and Buildings assets are held at carrying value, with a small proportion held at historical cost.

## Note 21 Investment Properties, including Commercial Properties

Investment properties, including commercial properties, are assets held solely to earn rentals or for capital appreciation or both, they cannot be used for operational purposes.

### Rental income from Investment Properties

| 2017/18<br>£000 | Surpluses / deficits on Investment Properties<br>Table 31    | 2018/19<br>£000 |
|-----------------|--|-----------------|
| (459)           | Rental income from Investment Properties                     | (3,138)         |
| (3,960)         | (Upward) / downward revaluations                             | (1,914)         |
| 12              | Direct operating expenses arising from investment properties | 251             |
| <u>(4,407)</u>  | <b>Net Income</b>  | <u>(4,801)</u>  |

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.

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.

### Investment Properties Fair Value

| 2017/18<br>£000      | Investment Properties<br>Table 32a           | 2018/19<br>£000      |
|----------------------|--|----------------------|
| 7,412                | <b>Balance at start of year</b>              | <b>26,023</b>        |
| 15,059               | <b>Additions</b>                             | 47,205               |
|                      | <b>Other changes</b>                         |                      |
| 3,794                | Net gains/losses from fair value adjustments | 1,914                |
| (242)                | To/(from) Property, Plant & Equipment        | 808                  |
| <u>3,552</u>         | <b>Total other changes</b>                   | <u>2,722</u>         |
| <u><b>26,023</b></u> | <b>Balance at end of year</b>                | <u><b>75,950</b></u> |

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated, as they are revalued every year according to market values.

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

The increase in year relates to the acquisition of a number of commercial properties.

## Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. The commercial properties the Council purchased over a year before the financial year end of the 31<sup>st</sup> March have been revalued externally by Carter Jonas LLP. All other investment property revaluations were 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.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

## Fair Value Hierarchy

Details of the fair value of the Council's investment properties and information about the fair value hierarchy as at the 31<sup>st</sup> March 2018 and 2019 are as follows. There was one transfer between the levels during the year, Newbury football club's lease expired and was not renewed as the Council is holding the land for London road redevelopment.

| Fair Value 31st March 2018                             |  |               |                  | Fair Value 31st March 2019                             |  |               |
|--|--|---------------|------------------|--|--|---------------|
| Significant<br>observable<br>inputs<br>Level 2<br>£000 | Significant<br>unobservable<br>inputs<br>Level 2<br>£000 | Total<br>£000 |                  | Significant<br>observable<br>inputs<br>Level 2<br>£000 | Significant<br>unobservable<br>inputs<br>Level 2<br>£000 | Total<br>£000 |
| 10,127   | 1,004  | 11,131        | Small Holdings   | 13,758   | 0  | 13,758        |
| 14,892   | 0  | 14,892        | Commercial Units | 61,864   | 0  | 61,864        |
| <u>25,019</u>  | <u>1,004</u>   | <u>26,023</u> |                  | <u>75,622</u>  | <u>0</u>   | <u>75,622</u> |

Shown below is a reconciliation of the fair value measurements in respect of Level 3 valuations.

| Investment Buildings categorised within Level 3 |  |                 |
|---|--|-----------------|
| 31st March 2018                                 |  | 31st March 2019 |
| £000  | Table 32c                                      | £000            |
| 998   | Opening balance                                | 1,004           |
| 0   | Transfer out of level 3                        | -2,484          |
| 6   | Net gains / losses from fair value adjustments | 1,480           |
| <u>1,004</u>                                    |  | <u>0</u>        |

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on investment properties in the Financing and Investment income line on the Comprehensive Income and Expenditure Statement.

#### Significant Observable Inputs – Level 2 Fair Value Investment Property Assets.

The Commercial property investment portfolio and the small holdings have been categorised as a level 2 in the fair value hierarchy. The fair value has been measured using a combination of the market approach and the income approach. The market approach uses comparable market evidence in arriving at values, whilst the income approach uses an all risk yield to capitalise the income to arrive at the value. This yield is based on comparable market yields.

These investment properties are categorised as level 2 as the measurement technique uses inputs that are observable for the asset, either directly or indirectly and there is no information that reasonably indicates the market participants would use different assumptions.

## Note 22 Assets Held for Sale

| 2017/18<br>£000 | Current Assets<br>Table 33               | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 3,209           | Balance outstanding at start of year     | 2,500           |
| 0               | Additions                                | 13              |
|                 | Assets newly classified as held for sale |                 |
| 1,791           | Property, Plant and Equipment            | 1,243           |
| (2,500)         | Assets sold                              | (1,791)         |
| 0               | Downward revaluations                    | (225)           |
| 0               | Upward revaluations                      | 71              |
| 0               | Impairment losses                        | (99)            |
| <u>2,500</u>    | Balance outstanding at year end          | <u>1,712</u>    |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustments.

This Council has four assets held for sale which are:

- the former Newbury Day centre land
- 15 Chestnut Walk group home
- 1 Bath Road, Theale
- Waterside Youth and Community Centre



## Note 23 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 Berkshire Record Office Archive (Record Office 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, 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 historic title deeds for the Basildon Park estate, the archive of the Hungerford Tragedy Trust and records from St Bartholomew's School Newbury. Altogether over 200 new accessions, amounting to around 700 boxes, were added to the collections in 2018/19. Projects during the year included the conservation of the Coleshill House estate collection, generously funded by the National Manuscripts Conservation Trust, and the publication of a new guide to education in 18<sup>th</sup> century Berkshire, which was the culmination of a volunteer research project. 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. The current museum and its collections were established in 1904 when the Cloth Hall was refurbished by public subscription in memory of Queen Victoria. Between 2011 and 2014 the museum underwent a £2.2M refurbishment funded by the Heritage Lottery Fund (£1.2M), West Berkshire Council, the Greenham Common Trust and local donations. The Museum re-opened in autumn 2014.

The Museum is housed in a Grade I Listed building – the Cloth Hall - built in 1627 - and the Granary/Corn Stores, a Grade II Listed 18<sup>th</sup> century industrial building, with a modern building built in 2012 connecting the two to provide modern facilities and physical access.

The museum is the statutory place of deposit for archaeological remains found in West Berkshire. The collection has about 35,000 objects. 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 has a full-time of three staff – Curator, Operations Manager and learning & development Officer. They are supported by 38 volunteers who have given over 2,500 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 2018/19 the museum welcomed 30,000 visitors (1,500 more than the previous year). The Museum's education programme worked with over 50,000 people of all ages at the Museum, in schools, with parish Councils and through educational activity days at Shaw House.

DRAFT

## Note 24 Capital Expenditure

The total capital expenditure for the year was £81.3m (2017/18: £38.0m).

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 £54.7m (2017/18: £11.9m).

### Capital Expenditure Financing

| 2017/18<br>£000 | Capital Expenditure Financing<br>Table 34a  | 2018/19<br>£000 |
|-----------------|---|-----------------|
| 175,794         | <b>Opening Capital Financing Requirement</b>  | 192,045         |
|                 | <b>Capital Investment</b>   |                 |
| 18,526          | Property, Plant and Equipment   | 24,893          |
| 14,892          | Investment Properties   | 47,205          |
| 93              | Assets under construction   | 2,149           |
| 4,527           | Revenue Expenditure Funded from capital under statute                                     | 7,013           |
|                 | <b>Sources of Finance</b>   |                 |
| 0               | Capital receipts  | (1,000)         |
| (14,358)        | Government Grants   | (19,855)        |
| (328)           | Other Grants  | (2,858)         |
| (155)           | Revenue funding   | (14)            |
| 0               | Other internal balances and funds   | (118)           |
| (1,148)         | Developers/other contributions  | (2,711)         |
| (391)           | <b>MRP/Loans Principal Repaid</b>   | (602)           |
| (5,408)         | <b>Loans Principal repaid</b>   | (6,027)         |
| <b>192,045</b>  | <b>Closing Capital Financing Requirement</b>  | <b>240,120</b>  |
|                 | <b>Explanation of Movements in Year</b>   |                 |
| 0               | Increase in underlying need to borrowing (supported by government financial assistance)   | 0               |
| 16,251          | Increase in underlying need to borrowing (unsupported by government financial assistance) | 48,075          |
| 0               | Assets acquired under finance leases  | 0               |
| 0               | Assets acquired under PFI/PPP contracts   | 0               |
| <b>16,251</b>   | <b>Increase/ (decrease) in capital financing requirement</b>                              | <b>48,075</b>   |

## 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.

## 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 31/03/18 | New Capital Grants and Contributions Received | Capital Grants repaid to funding body & Contributions Written off | Grants and Contributions paid to other bodies or reclassified as revenue | Amount applied to fund Capital Expenditure | Closing Balance 31/03/19 |
|---|--------------------------|---|---|--|--|--------------------------|
| Table 35a   | £000                     | £000  | £000  | £000   | £000                                       | £000                     |
| Section 106, CIL & Other Contributions                | (21,336)                 | (8,509)                                       | 177   | 1,902  | 5,693                                      | (22,073)                 |
| Capital Grants (not including grants with conditions) | (16,112)                 | (23,081)                                      | 0   | 1,059  | 19,795                                     | (18,339)                 |
| <b>Total Grants &amp; Contributions</b>               | <b>(37,448)</b>          | <b>(31,590)</b>                               | <b>177</b>  | <b>2,961</b>   | <b>25,488</b>                              | <b>(40,412)</b>          |
| <b>Capital Grants with Conditions</b>                 | <b>(5,027)</b>           | <b>(6,238)</b>                                | <b>0</b>  | <b>0</b>   | <b>1,857</b>                               | <b>(9,408)</b>           |

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

The opening balance of S106, CIL and other contributions is £99k higher than the closing balance shown in the equivalent table in the 2017/18 accounts, as the opening balance shown in the table above also includes funds set aside from the revenue budget to fund capital expenditure as at 31/3/18, which were not included in the 2017/18 table.

In addition the Council received capital receipts of £1.3m in 2018/19 (£2.8m in 2017/18).

Capital receipts of £1.m were used to fund capital expenditure in 2018/19 and £7k was set against the cost of disposal of assets. This leaves a balance of £746k useable capital receipts as at 31 March 2019 and total capital reserves of £41.2m.

| 2017/18<br>£000 | Capital Reserves<br>Table 35b  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>29,177</b>   | <b>Opening Balance</b>   | <b>37,448</b>   |
| 25,869          | New Capital Grants and Contributions Received                            | 31,590          |
| (11)            | Capital Grants repaid to funding body & Contributions Written off        | (177)           |
| (1,778)         | Grants and Contributions paid to other bodies or reclassified as revenue | (2,961)         |
| (15,809)        | Amount applied to fund Capital Expenditure                               | (25,488)        |
| <b>37,448</b>   | <b>Closing Balance</b>   | <b>40,412</b>   |
|                 | Capital Receipts   |                 |
| 208             | <b>Opening Balance</b>   | <b>3,013</b>    |
| 2,991           | New Capital Receipts in year   | 1,362           |
| (61)            | Capital receipts to fund Transformational Revenue Expenditure            | -2,622          |
| (125)           | Administrative costs of non-current asset disposals                      | -7              |
| 0               | Capital Receipts applied to Capital Programme                            | -1,000          |
| <b>3,013</b>    | <b>Closing Balance</b>   | <b>746</b>      |
| <b>40,461</b>   | <b>Total Capital Reserves</b>  | <b>41,158</b>   |

## Note 25 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.

### Financial Instrument balances

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

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

| Restatement of Financial Instrument Balances<br>at 1/4/18 as per IFRS9 | Long Term        |                  | Short Term  |   | Long Term                      |                                | Short Term |  |
|--|------------------|------------------|---|---|--------------------------------|--------------------------------|------------|--|
|  | 31/03/18<br>£000 | 31/03/18<br>£000 | Adjustment<br>from IAS 39<br>to IFRS 9<br>Basis<br>£000 | Adjustment<br>from IAS 39<br>to IFRS 9<br>Basis<br>£000 | Restated<br>at 1/04/18<br>£000 | Restated at<br>1/04/18<br>£000 |            |  |
| <b>Table 36a</b>   |                  |                  |   |   |                                |                                |            |  |
| <b>Cash and Investments</b>  |                  |                  |   |   |                                |                                |            |  |
| Loans and receivables  | 0                | 18,000           | 0   | (18,000)  | 0                              | 0                              |            |  |
| Investments Held at amortised cost                                     | 0                | 0                | 0   | 18,000  | 0                              | 18,000                         |            |  |
| Total Cash and Investments   | 0                | 6,194            | 0   | 0   | 0                              | 6,194                          |            |  |
| <b>Total Investments</b>   | <b>0</b>         | <b>24,194</b>    | <b>0</b>  | <b>0</b>  | <b>0</b>                       | <b>24,194</b>                  |            |  |
| <b>Debtors</b>   |                  |                  |   |   |                                |                                |            |  |
| Financial assets carried at contract amount                            | 0                | 13,710           | 0   | (13,710)  | 0                              | 0                              |            |  |
| Debtors held at amortised cost   | 0                | 0                | 0   | 13,710  | 0                              | 13,710                         |            |  |
| <b>Borrowings</b>  |                  |                  |   |   |                                |                                |            |  |
| Financial Liabilities at amortised cost                                | 167,960          | 6,026            | 0   | 0   | 167,960                        | 6,026                          |            |  |
| <b>Total Borrowings</b>  | <b>167,960</b>   | <b>6,026</b>     | <b>0</b>  | <b>0</b>  | <b>167,960</b>                 | <b>6,026</b>                   |            |  |
| <b>Creditors</b>   |                  |                  |   |   |                                |                                |            |  |
| Financial Liabilities carried at contract amount                       | 0                | 23,133           | 0   | (23,133)  | 0                              | 0                              |            |  |
| Creditors held at amortised cost                                       | 0                | 0                | 0   | 23,133  | 0                              | 23,133                         |            |  |

| Financial Instrument Balances                             | Long Term           |                | Short Term          |               |
|---|---------------------|----------------|---------------------|---------------|
|   | Restated at 1/04/18 | 31/03/19       | Restated at 1/04/18 | 31/03/19      |
|   | £000                | £000           | £000                | £000          |
| <b>Table 36b</b>  |                     |                |                     |               |
| <b>Financial Assets</b>                                   |                     |                |                     |               |
| Investments held at amortised cost                        | 0                   |                | 18,000              | 26,000        |
| Cash and cash equivalents                                 | 0                   |                | 6,194               | 8,314         |
| <b>Total Cash and Investments</b>                         | <u>0</u>            | <u>0</u>       | <u>24,194</u>       | <u>34,314</u> |
| Debtors held at amortised cost                            | 0                   |                | 13,710              | 14,924        |
| <b>Total Financial Assets</b>                             | <u>0</u>            | <u>0</u>       | <u>37,904</u>       | <u>49,238</u> |
| <b>Financial Liabilities</b>                              |                     |                |                     |               |
| Borrowings held at amortised cost                         | 167,960             | 207,717        | 6,026               | 14,872        |
| Creditors held at amortised cost                          | 0                   | 0              | 23,133              | 23,207        |
| <b>Total Financial Liabilities Held at Amortised Cost</b> | <u>167,960</u>      | <u>207,717</u> | <u>29,159</u>       | <u>38,079</u> |

Interest paid on long term borrowing was £5,942k (2017/18: £5,107k)

Interest paid on the credit arrangement within the PFI contract was £872k (2017/18: £909k)

Interest paid on short term borrowing was £13k (2017/18: £6k)

**Total interest paid £6,827k (2017/18: £6,022k)**

Interest earned on investment was £700k (2017/18: £367k)

Debtors and creditors figures re 17/18 have been restated due to £1,818 re cash in transit which was shown under creditors in 17/18, but subsequently moved to debtors. This reduces both debtors and creditors.

| Restated as at 1/4/18 |            |                                      | 31/03/19        |            |
|-----------------------|------------|--------------------------------------|-----------------|------------|
| Carrying Amount       | Fair Value | Fair value of liabilities and assets | Carrying Amount | Fair Value |
| £000                  | £000       | Table 37                             | £000            | £000       |

#### Fair value of liabilities carried at amortised cost

|                |                |                                    |                |                |
|----------------|----------------|------------------------------------|----------------|----------------|
| 42,738         | 65,434         | PWLB Maturity Loans                | 82,758         | 123,838        |
| 111,570        | 145,192        | Other PWLB Loans > 1 Year          | 111,988        | 149,418        |
| 13,652         | 13,652         | Other Long term Borrowing          | 12,971         | 12,971         |
| 6,026          | 6,026          | Short term borrowing               | 14,872         | 14,872         |
| <b>173,986</b> | <b>230,304</b> | <b>Total Financial Liabilities</b> | <b>222,589</b> | <b>301,099</b> |

#### Fair value of assets carried at amortised cost

|               |               |  |               |               |
|---------------|---------------|--|---------------|---------------|
| 6,194         | 6,194         | Cash and cash equivalents                      | 8,314         | 8,314         |
| 18,000        | 18,000        | Banks and building society deposits > 3 months | 26,000        | 26,000        |
| <b>24,194</b> | <b>24,194</b> | <b>Total Financial assets</b>                  | <b>34,314</b> | <b>34,314</b> |

#### Short Term Borrowing

Short term borrowing at 31 March 2019 consisted of £5.7m principal due to be repaid within one year on PWLB annuity loans (2017/18: £5.4m); £681k principal due to be repaid within one year on the credit arrangement within the PFI waste management contract (2017/18: £641k); and £8.5m short term loans from other local authorities for no more than 60 days (none in 2017/18).

#### Long Term Borrowing

PWLB maturity loans consist of £20.5m remaining from the loans inherited from the former Royal County of Berkshire in December 2006; and £22.2m borrowed in 2017/18 and £40m 2018/19 to fund investment in commercial property.

Other PWLB loans are annuity loans to fund other capital expenditure by West Berkshire Council since 2007.

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 2019 consists of cash and deposits in bank call accounts and money market funds



## Note 26 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.

### Credit Risk

Credit Risk arises mainly from the investment of surplus funds with banks, building societies and other local authorities as well as credit exposures to the Council's customers. The Council's Investment Strategy aims to minimise credit risk by ensuring that funds are only invested with financial institutions which meet minimum criteria for credit worthiness. This is measured either with reference to a recognised national credit rating agency or, in the case of building societies, to the size of their asset base. The strategy also imposes a maximum sums which can be invested with financial institution within each credit category and states that fixed term deposits should not normally be for longer than one year.

### Investments

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2018 and shows that all deposits outstanding as at 31 March 2018 met the Council's credit rating criteria at that date:

| Investments<br>Table 38a<br>Counter party | Credit rating criteria met |             | Balances invested as at 31/03/19 |              |              |               | Total<br>£000 |
|---|----------------------------|-------------|----------------------------------|--------------|--------------|---------------|---------------|
|   | When placed                | On 31/03/19 | < 1 mth                          | >1 mths <3   | >3 mths <6   | >6 mths <12   |               |
|   | Yes/No                     | Yes/No      | £000                             | £000         | £000         | £000          |               |
| Building Societies                        | N/A                        | N/A         | 0                                | 8,000        | 7,000        | 11,000        | 26,000        |
| Call Accounts and Money Market Funds      | Yes                        | Yes         | 8,655                            | 0            | 0            | 0             | 8,655         |
| <b>Total</b>                              |                            |             | <b>8,655</b>                     | <b>8,000</b> | <b>7,000</b> | <b>11,000</b> | <b>34,655</b> |

Note

£8.7m held in call accounts and money market funds at 31 March 2019 is included in Table 41 cash and cash equivalents.

| Investments<br>Table 38b<br>Counter party | Credit rating criteria met |             | Balances invested as at 31/03/18 |                    |                    |                     | Total<br>£000 |
|---|----------------------------|-------------|----------------------------------|--------------------|--------------------|---------------------|---------------|
|   | When placed                | On 31/03/18 | < 1 mth<br>£000                  | >1 mths <3<br>£000 | >3 mths <6<br>£000 | >6 mths <12<br>£000 |               |
|   | Yes/No                     | Yes/No      |                                  |                    |                    |                     |               |
| Building Societies                        | N/A                        | N/A         | 0                                | 9,000              | 6,000              | 3,000               | 18,000        |
| Call Accounts and Money Market Funds      | Yes                        | Yes         | 5,745                            | 0                  | 0                  | 0                   | 5,745         |
| <b>Total</b>                              |                            |             | <b>5,745</b>                     | <b>9,000</b>       | <b>6,000</b>       | <b>3,000</b>        | <b>23,745</b> |

Note

£5.7m held in call accounts and money market funds at 31 March 2018 is included in Table 41 cash and cash equivalents

**Doubtful receivables**

The invoiced debt has been reviewed by age to determine an appropriate provision for debts not likely to be collectable. The gross past due sundry debtor amount can be analysed by age as follows:

| 2017/18<br>£000 | Trade Receivables<br>Table 39 | 2018/19<br>£000 |
|-----------------|-------------------------------|-----------------|
| 8,915           | Less than 3 months            | 10,770          |
| 374             | 3 - 6 months                  | 1,065           |
| 1,176           | 6 -12 months                  | 1,539           |
| 2,593           | More than 12 months           | 2,584           |
| <b>13,058</b>   | <b>Total</b>                  | <b>15,958</b>   |

**Liquidity Risk:**

A detailed cash flow forecast is maintained to ensure that funds are available to meet the Council’s outgoings on a day to day basis. The Council also has an overdraft facility with its main banker and is also normally able to borrow funds on a short term basis from other local authorities to cover any day to day cash flow needs. The Council is also able to borrow on a longer term basis from the Public Works Loans Board (PWLb) for the purpose of financing the construction, acquisition or improvement of capital assets.

In addition, since 2006, the Council’s borrowing strategy has been to finance capital expenditure on operational assets through annuity loans over a period which relates to the estimated useful life of the asset. This means that loans should be repaid in full when the assets financed reach the end of their useful life and that a significant proportion of its borrowing does not mature for repayment at any one time.

In these ways the risk of the Council’s being unable to raise finance to meets its commitments is minimised.

The maturity structure of financial liabilities (at nominal value) is as follows:

| Restated<br>as at<br>1/04/18<br>£000 | Liquidity Risk<br>Table 40        | 31/03/19<br>£000 |
|--------------------------------------|-----------------------------------|------------------|
| <b>Loans outstanding</b>             |                                   |                  |
| 154,308                              | PWLB loans for more than one year | 194,746          |
| 13,652                               | Other Long Term PFI Borrowing     | 12,971           |
| 6,026                                | Temporary Borrowing               | 14,872           |
| <b>173,986</b>                       | <b>Total</b>                      | <b>222,589</b>   |
| 6,026                                | Less than 1 year                  | 14,872           |
| 6,152                                | Between 1 & 2 years               | 6,451            |
| 17,191                               | Between 2 & 5 years               | 16,839           |
| 55,509                               | Between 5 & 15 years              | 56,998           |
| 89,108                               | More than 15 Years                | 127,429          |
| <b>173,986</b>                       | <b>Total</b>                      | <b>222,589</b>   |

**Market Risk:**

The Council’s borrowing strategy aims to eliminate the risk of exposure to future increases in interest rates by undertaking most short and long term borrowing at fixed rates of interest. This approach may prevent the Council from benefitting from future decreases in interest rates. However, this is not a significant risk in the current climate of very low interest rates, and this policy enables the Council to allow for future payments of interest on long term loans in its Medium Term Financial Strategy. The Council also takes into account forecast future changes in interest rates when planning how much it can afford to borrow to fund capital expenditure over the medium term (3-5 years).

The Council minimises its exposure to market risk in respect of investments by investing at fixed rates for longer periods (of up to one year) when interest rates are expected to remain steady or fall and for shorter periods when interest rates are expected to rise in the short term. The Council opts

not to take advantage of the potentially higher interest rates which might be available from investing over periods of more than one year in order to minimise credit and liquidity risk.

During the Financial Year and at 31 March 2019, all of the Council's loans and fixed term investments were at fixed rates of interest.

## Note 27 Cash and Cash Equivalents

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

| 31/03/18<br>£000 | Cash & Cash Equivalents<br>Table 41         | 31/03/19<br>£000 |
|------------------|---|------------------|
| 1,793            | Cash held by the Authority                  | 1,829            |
| (1,344)          | Bank current accounts                       | (2,170)          |
| 5,745            | Short Term Deposits with Building Societies | 8,655            |
| <u>6,194</u>     | <b>Total</b>                                | <u>8,314</u>     |

Bank current account figures for 31 March 2018 and 31 March 2019 represent the current account balance less the value of cheques and other payments made by the Council which were not cleared at that date.

Short term deposits at 31 March 2019 are in the Goldman Sachs Money Market Fund £4,952k (2017/18: £2,944k), HBOS Deposit Account £3,701k (2017/18: £901k) and Santander Deposit Account £2k (2017/18: £1,901k).

## Note 28 Contractual Commitments:

The contractual commitments outstanding on major capital schemes at the 31 March 2019 were:

| Estimated commitments at 31/03/18<br>£000 | Capital commitments<br>Table 42        | Estimated Contract Values<br>£000 | Contract payments         |                        | Estimated commitments at 31/03/19<br>£000 |
|---|--|-----------------------------------|---------------------------|------------------------|---|
|   |  |                                   | prior to 01/04/18<br>£000 | within 2018/19<br>£000 |   |
| 17  | Little Heath School                    | 2,960                             | 2,944                     | 16                     | 0   |
| 17  | ASD Primary Unit at Fir Tree School    | 714                               | 654                       | 60                     | 0   |
| 563                                       | The Castle School Secondary Expansion  | 745                               | 162                       | 564                    | 19  |
| 0   | Theale Primary Expansion               | 6,728                             | 0                         | 0                      | 6,728                                     |
| 0   | Francis Bailey PSBP2                   | 800                               | 0                         | 788                    | 12  |
| 0   | Kennet School Expansion                | 706                               | 0                         | 0                      | 706                                       |
| 0   | A339 Bear Lane Junction Improvements   | 1,763                             | 0                         | 231                    | 1,532                                     |
| 0   | Dunston Park & South East Thatcham Flo | 3,537                             | 0                         | 0                      | 3,537                                     |
| 1,500                                     | Superfast Berkshire Phase 1            | 4,610                             | 3,109                     | 99                     | 1,402                                     |
| 3,031                                     | Superfast Berkshire phase 2 Lot 5      | 3,734                             | 703                       | 624                    | 2,407                                     |
| 22  | Superfast Berkshire phase 2 Lot 7      | 415                               | 393                       | 0                      | 22  |
| 1,395                                     | Superfast Berkshire phase 3 Lot 1      | 1,395                             | 0                         | 0                      | 1,395                                     |
| 2,563                                     | Superfast Berkshire phase 3 Lot 2      | 2,563                             | 0                         | 0                      | 2,563                                     |
| <u>9,108</u>                              |  | <u>30,670</u>                     | <u>7,965</u>              | <u>2,382</u>           | <u>20,323</u>                             |

## Note 29 Debtors

These represent income due within one year:

| 31/03/18      | Debtors                  | 31/03/19      |
|---------------|--------------------------|---------------|
| Restated      |                          |               |
| £000          | Table 43                 | £000          |
| 11,157        | Trade Receivables        | 14,897        |
| 2,241         | Prepayments              | 2,229         |
| 7,967         | Other Receivable amounts | 12,745        |
| <b>21,365</b> | <b>Total</b>             | <b>29,871</b> |

2017/18 debtors have been restated due to transferring £2.205m NNDR provision for appeals from bad debts provisions into provisions (Table 45).

The figure has been further restated due to £1,818 re cash in transit which was previously shown under creditors.

### Note 30 Creditors

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

| 31/03/18      | Creditors           | 31/03/19      |
|---------------|---------------------|---------------|
| Restated      |                     |               |
| £000          | Table 44            | £000          |
| 19,089        | Trade Payables      | 21,367        |
| 8,867         | Receipts in Advance | 16,516        |
| 9,343         | Other Payables      | 9,085         |
| <b>37,299</b> | <b>Total</b>        | <b>46,968</b> |

2017/18 creditors have been restated due to £1,818 re cash in transit which has been moved to debtors. This reduces both debtors and creditors.

### Note 31 Provisions

| Provisions<br>Table 45            | Balance<br>31/03/18<br>(Restated)<br>£000 | Arising<br>in Year<br>£000 | Payments<br>in Year<br>£000 | Balance<br>31/03/19<br>£000 |
|-----------------------------------|---|----------------------------|-----------------------------|-----------------------------|
| Crookham (extraction of minerals) | 9   | 0                          | 0                           | 9                           |
| NNDR provision for appeals        | 2,205                                     | 2,279                      | (2,919)                     | 1,565                       |
| Provision for liabilities         | 131                                       | 101                        | (47)                        | 185                         |
| <b>Total Provisions</b>           | <b>2,345</b>                              | <b>2,380</b>               | <b>(2,966)</b>              | <b>1,759</b>                |

2017/18 provisions have been restated due to transferring £2.205m NNDR provision for appeals from bad debts provisions (Table 43) into provisions.

## Note 32 Reserves

### Usable Reserves

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

### Unusable Reserves

| 31/03/18<br>£000 | Unusable Reserves<br>Table 46  | 31/03/19<br>£000 |
|------------------|--------------------------------|------------------|
| (4,162)          | Accumulated Absences Account   | (4,122)          |
| 96,391           | Revaluation reserve            | 167,139          |
| 123,642          | Capital Adjustment Account     | 136,495          |
| (317,292)        | Pension Reserve                | (316,509)        |
| (3,994)          | Collection Fund                | (5,665)          |
| <b>(105,415)</b> | <b>Total Unusable Reserves</b> | <b>(22,662)</b>  |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustment.

**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.

**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.

| 2017/18       | Revaluation Reserve  | 2018/19        |
|---------------|--|----------------|
| £000          | Table 47   | £000           |
| <b>99,014</b> | <b>Opening Balance</b>                                     | <b>96,391</b>  |
| 8,107         | Upward revaluations of assets                              | 89,849         |
| (4,694)       | Impaired assets  | (14,760)       |
| <b>3,413</b>  | <b>Surplus or (deficit) on revaluation of Fixed Assets</b> | <b>75,089</b>  |
| (2,143)       | Sold assets  | (1,593)        |
| (3,893)       | Depreciation in year                                       | (2,748)        |
| (6,036)       |  | (4,341)        |
| <b>96,391</b> | <b>Closing Balance</b>                                     | <b>167,139</b> |

**Capital Adjustment Account:**



This account holds the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The Account is credited with the amounts set aside by the Council 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.

| 2017/18<br>Restated<br>£000 | Capital Adjustment Account<br>Table 48 | 2018/19<br>£000 |
|-----------------------------|--|-----------------|
| <b>126,287</b>              | <b>Opening Balance</b>                 | <b>123,642</b>  |
| 14,374                      | External funding of new capital assets | 21,305          |
| 391                         | Minimum Revenue Provision              | 602             |
| 5,408                       | Annuity Loan principle                 | 6,027           |
| (1,757)                     | REFCUS Assets charged                  | (1,762)         |
| (22,619)                    | Depreciation                           | (17,091)        |
| 3,893                       | Historic cost depreciation adjustment  | 2,748           |
| (7,576)                     | Write out asset values on disposal     | (1,883)         |
| 2,143                       | Revaluation reserve re sold assets     | 1,593           |
| (696)                       | Impaired assets                        | (600)           |
| 3,794                       | Revaluations Investment Properties     | 1,914           |
| <b>123,642</b>              | <b>Closing Balance</b>                 | <b>136,495</b>  |

The 2017/18 figures have been restated, see note 4 Prior Period Adjustment.

**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.

**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.

| 2017/18<br>£000 | Council Tax Adjustment Account<br>Table 49   | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 177             | <b>Opening Balance</b>   | 1,178           |
| 1,001           | 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 | 655             |
| <b>1,178</b>    | <b>Closing Balance</b>   | <b>1,833</b>    |

| 2017/18<br>£000 | NNDR Adjustment Account<br>Table 50  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 1,082           | <b>Opening Balance</b>   | 2,815           |
| 1,733           | 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 | 1,016           |
| <b>2,815</b>    | <b>Closing Balance</b>   | <b>3,831</b>    |

**Note 33 Grants with conditions still attached**

The Council has received a number of grants that have yet to be recognised as income because they have conditions attached to them that will require the monies or property to be returned to the provider if the condition is not met. 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:

| 2017/18<br>£000 | Grants Receipts in Advance (capital grants)<br>Table 51 | 2018/19<br>£000 |
|-----------------|---|-----------------|
| (4,120)         | LEP (Local Enterprise Partnership)                      | (9,006)         |
| (907)           | DEFRA   | (402)           |
| <u>(5,027)</u>  | <b>Total</b>  | <u>(9,408)</u>  |

| 2017/18<br>£000 | Grants Receipts in Advance (revenue grants)<br>Table 52 | 2018/19<br>£000 |
|-----------------|---|-----------------|
| (82)            | Adult Skills Contracts                                  | (82)            |
| (98)            | Adult and Community Learning                            | (99)            |
| (48)            | Discretionary Housing Payment                           | (1,870)         |
| 0               | Early Years Funding                                     | (396)           |
| 0               | Universal Infant FSM Grant                              | (63)            |
| 0               | School Improvement re Phonics                           | (100)           |
| (331)           | DSG   | 0               |
| <u>(559)</u>    | <b>Total</b>  | <u>(2,610)</u>  |

### Note 34 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
- Commercial investment property acquired from 2017/18 onwards in order to generate additional income to help fund Council services
- Other properties including farms and shared ownership dwellings.

The following table represents the future minimum lease payments receivable under non cancellable leases.

| 31 March 2018                   |                                  |                                |              | Table 53                           | 31 March 2019                   |                                  |                                |              |
|---------------------------------|----------------------------------|--------------------------------|--------------|------------------------------------|---------------------------------|----------------------------------|--------------------------------|--------------|
| Sporting & Community facilities | Industrial & Commercial Premises | Commercial Investment Property | Other        | Council as lessor Operating Leases | Sporting & Community facilities | Industrial & Commercial Premises | Commercial Investment Property | Other        |
| £000                            | £000                             | £000                           | £000         | Leases expiring:                   | £000                            | £000                             | £000                           | £000         |
| 44                              | 448                              | 703                            | 94           | Not later than 1 year              | 54                              | 421                              | 2,932                          | 134          |
| 93                              | 1,100                            | 2,210                          | 227          | Between 1 and 5 years              | 82                              | 1,093                            | 8,236                          | 310          |
| 133                             | 4,665                            | 3,819                          | 636          | Between 5 and 25 years             | 119                             | 4,796                            | 11,327                         | 1,186        |
| 87                              | 4,706                            | 0                              | 65           | Over 25 years                      | 90                              | 4,882                            | 0                              | 785          |
| <b>357</b>                      | <b>10,919</b>                    | <b>6,732</b>                   | <b>1,022</b> |                                    | <b>345</b>                      | <b>11,192</b>                    | <b>22,495</b>                  | <b>2,415</b> |

The rental income credited to the income statement in 2018/19 was £3.2m (2017/18: £758k). The amount received in 2018/19 was considerably higher than in 2017/18 because of rent from new investment properties purchased in 2018/19.

### Council as Lessee:

The Council has not entered into any finance leases as a lessee.

### Operating leases:

The Council has a number of operating leases relating to land, buildings, vehicles and office equipment. The land and buildings include social care facilities, schools and playing fields.

The following table represents the minimum lease instalments payable.

| 31 March 2018    |                            | Table 54                           | 31 March 2019    |                            |
|------------------|----------------------------|------------------------------------|------------------|----------------------------|
| Land & Buildings | Vehicles Plant & Equipment | Council as lessee Operating Leases | Land & Buildings | Vehicles Plant & Equipment |
| £000             | £000                       | Leases expiring:                   | £000             | £000                       |
| 352              | 126                        | Not later than 1 year              | 352              | 177                        |
| 970              | 43                         | Between 1 and 5 years              | 970              | 72                         |
| 2,657            | 0                          | Between 5 and 25 years             | 2,657            | 0                          |
| 19               | 0                          | Over 25 years                      | 19               | 0                          |
| <b>3,998</b>     | <b>169</b>                 |                                    | <b>3,998</b>     | <b>249</b>                 |

The charges to the Income and Expenditure Statement in 2018/19 were £604k for land and buildings (2017/18: £498k) and £249k for vehicles and equipment (2017/18: £307k).

## Note 35 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.

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 55                          |                  |                            |                          |
|-----------------------|---------------------------|-----------------------------------|------------------|----------------------------|--------------------------|
| 2017/18<br>£000       | Due within                | Repayment<br>of Liability<br>£000 | Interest<br>£000 | Service<br>Charges<br>£000 | Total<br>2017/18<br>£000 |
| 18,481                | Repayment in year         | 641                               | 873              | 16,359                     | 17,873                   |
|                       | <u>Deferred liability</u> |                                   |                  |                            |                          |
| 18,271                | Within 1 year             | 680                               | 833              | 16,525                     | 18,038                   |
| 76,039                | 2 to 5 years              | 3,164                             | 2,892            | 70,824                     | 76,880                   |
| 106,171               | 6 to 10 years             | 5,171                             | 2,400            | 99,419                     | 106,990                  |
| 107,201               | 11 to 15 years            | 4,636                             | 663              | 76,785                     | 82,084                   |
| 0                     | 16 to 20 years            |                                   |                  |                            | 0                        |
| <b>326,162</b>        | Total of all payments     | <b>14,292</b>                     | <b>7,661</b>     | <b>279,912</b>             | <b>301,865</b>           |

The payments have been calculated to compensate Veolia for the fair value of the services provided, the capital expenditure incurred and interest payable. The capital asset movement recognised by WBC with and the associated outstanding PFI liability for capital expenditure incurred by Veolia is:

| 31/03/18                        | Padworth PFI                                    | Table 56 | 31/03/19        |
|---------------------------------|---|----------|-----------------|
| £000                            | Asset movments & Liabilities                    |          | £000            |
| <b>Movement in asset value:</b> |   |          |                 |
| 27,954                          | <b>Gross Book Value at start of year</b>        |          | 24,991          |
| (2,963)                         | Revaluation                                     |          | 0               |
| <u>24,991</u>                   | <b>Gross Book Value at year end</b>             |          | <u>24,991</u>   |
| (2,801)                         | <b>Depreciation at the start of year</b>        |          | (695)           |
| (695)                           | Depreciation                                    |          | (482)           |
| 2,801                           | Revaluation                                     |          | 0               |
| <u>(695)</u>                    | Depreciation at year-end                        |          | <u>(1,177)</u>  |
| <u>24,296</u>                   | <b>Net Book Value at year end</b>               |          | <u>23,814</u>   |
| <b>Movement in liability:</b>   |   |          |                 |
| (14,898)                        | <b>Balance outstanding at the start of year</b> |          | (14,293)        |
| 605                             | Principal repayment in year                     |          | 642             |
| <u>(14,293)</u>                 | <b>Balance outstanding at year end</b>          |          | <u>(13,651)</u> |
| (641)                           | Within 1 year                                   |          | (680)           |
| <u>(13,652)</u>                 | Deferred liability                              |          | <u>(12,971)</u> |
| <u>(14,293)</u>                 | <b>Balance outstanding at year end</b>          |          | <u>(13,651)</u> |

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

## Note 36 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 1<sup>st</sup> 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 in the financial year 2016/17. 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.

### 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:-

The re-measurements on defined liabilities required by the revised IAS19 standard are a gain of £22,800 in 2018/19 (£19,093k in 2017/18) and are included within the 'Other Comprehensive Income and Expenditure' line on the Comprehensive Income and Expenditure Statement.



| 2017/18<br>£000 | Local Government Pension Scheme<br>Table 57  | 2018/19<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Comprehensive Income and Expenditure statement</b>  |                 |
| 21,627          | Current service cost   | 21,893          |
| 329             | Past service cost, including curtailments  | 5,026           |
| 21,956          | <b>Total Service Cost</b>  | 26,919          |
|                 | <b>Financing and investment income and expenditure</b>   |                 |
| 15,551          | Interest cost  | 14,620          |
| (7,116)         | Interest on scheme assets  | (6,747)         |
| 8,435           | <b>Total Financing and investment income and expenditure</b>   | 7,873           |
| 30,391          | <b>Total post employment benefit charged to the surplus or deficit on the provisions of services in the Comprehensive Income and Expenditure statement</b> | 34,792          |
|                 | <b>Other post employment benefit charged to the Comprehensive Income and Expenditure statement</b>   |                 |
|                 | <b>Remeasurement of the net defined benefit liability comprising:</b>  |                 |
| (1,290)         | Return on assets less interest   | (16,885)        |
| 0               | Actuarial (gains) and losses arising on change in demographic assumptions  | (34,452)        |
| (17,961)        | Actuarial (gains) and losses arising on change in financial assumptions  | 29,034          |
| 0               | Liabilities assumed  | (803)           |
| 0               | Settlement prices...   | 142             |
| 158             | Administrative expenses  | 164             |
| (19,093)        | <b>Total post employment benefit charged to the comprehensive income and expenditure statement</b>   | (22,800)        |
| 11,299          | <b>Net Charge / Net surplus to the Comprehensive Income and Expenditure statement</b>  | 11,992          |
|                 | <b>Movement in Reserves Statement</b>  |                 |
| (11,299)        | Reversal of net charges made to the surplus or deficit on the provision of   | (11,992)        |
| 11,324          | Actual amount charged against the General Fund balance for pensions in the year  | 12,775          |
| 25              | <b>Net liability arising from the defined benefit obligation</b>   | 783             |

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| Present value of Scheme Liabilities<br>Table 58              | 2014/15<br>£000  | 2015/16<br>£000  | 2016/17<br>£000  | 2017/18<br>£000  | 2018/19<br>£000  |
|--|------------------|------------------|------------------|------------------|------------------|
| Present value of Liabilities                                 | (468,117)        | (454,652)        | (571,533)        | (580,325)        | (606,089)        |
| Fair value of Scheme Assets                                  | 217,982          | 214,715          | 254,216          | 263,033          | 289,580          |
| <b>Net liability arising from defined benefit obligation</b> | <b>(250,134)</b> | <b>(239,936)</b> | <b>(317,317)</b> | <b>(317,292)</b> | <b>(316,509)</b> |
| Experience loss/(gain) on defined benefit obligation         | (238)            | (361)            | (4,514)          | 0                | 0                |
| Return on scheme assets in excess of interest                | 9,654            | (10,978)         | 25,317           | 1,290            | 16,885           |

| 2017/18<br>£000 | Pensions reserve<br>Table 58a  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>317,317</b>  | <b>Opening Balance</b>   | <b>317,292</b>  |
| (19,093)        | Remeasurement of the net defined benefit liability/(asset)   | (22,800)        |
| 30,392          | Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement | 34,792          |
| (11,324)        | Employer's pensions contributions and direct payments to pensioners payable in the year  | (12,775)        |
| <b>317,292</b>  | <b>Closing Balance</b>   | <b>316,509</b>  |

Local Government Pension Scheme assets comprised:

| 2017/18<br>£000 | Fair Value of Scheme Assets<br>Table 59   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| <b>254,215</b>  | <b>Opening fair value of scheme assets</b>  | <b>263,033</b>  |
| 7,116           | Interest income   | 6,747           |
| 1,290           | Return on scheme assets (excluding the amount included in the net interest expense) | 16,885          |
| (157)           | Administrative expenses   | (164)           |
| 11,324          | Contributions from employer   | 12,775          |
| 3,636           | Contributions from employees into the scheme  | 3,795           |
| (14,391)        | Estimated benefits paid plus net transfers in                                       | (13,349)        |
| 0               | Settlement prices received and (paid)   | (142)           |
| <b>263,033</b>  | <b>Closing balance</b>  | <b>289,580</b>  |

| 31/03/18       |             | Pension fund assets<br>Table 60 | 31/03/19       |             |
|----------------|-------------|---------------------------------|----------------|-------------|
| £000           | %           |                                 | £000           | %           |
| 126,073        | 48%         | Equities                        | 146,954        | 51%         |
| 39,504         | 15%         | Other Bonds                     | 43,463         | 15%         |
| 33,825         | 13%         | Property                        | 40,207         | 14%         |
| 38,736         | 15%         | Cash                            | 22,989         | 8%          |
|                |             | <b>Alternative assets</b>       |                |             |
| 11,423         | 4%          | Target Return                   | 15,064         | 5%          |
| 4,650          | 2%          | Commodities                     | 2,213          | 1%          |
| 13,563         | 5%          | Infrastructure                  | 27,281         | 9%          |
| (4,740)        | -2%         | Longevity Insurance             | (8,591)        | -3%         |
| <b>263,033</b> | <b>100%</b> | <b>Total</b>                    | <b>289,580</b> | <b>100%</b> |

## 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 are based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2017.

| <b>Funded Liabilities</b>  | <b>2018/19</b>        |
|--|-----------------------|
| <b>Table 61</b>  | <b>£000</b>           |
| <b>Opening balance</b>   | <b>580,325</b>        |
| Current service cost   | 21,893                |
| Interest cost  | 14,620                |
| Actuarial (gains) and losses arising on changes in financial assumptions   | 29,034                |
| Actuarial (gains) and losses arising on changes in demographic assumptions | (34,452)              |
| Contributions from scheme participants                                     | 3,795                 |
| Liabilities extinguished on settlements                                    | (803)                 |
| Estimated benefits paid net of transfers in                                | (12,834)              |
| Past service costs, including curtailments                                 | 5,026                 |
| Unfunded pension payments  | (515)                 |
| <b>Closing balance</b>   | <b><u>606,089</u></b> |

The main assumptions used by the actuary are:

| 2017/18  | Basis for Estimating Assets and Liabilities | Table 62 | 2018/19 |
|--|---|----------|---------|
| <b>Mortality assumptions</b>                   |   |          |         |
| <b>Longevity at 65 for current pensioners:</b> |   |          |         |
| 23.1   | Men   |          | 22.0    |
| 25.2   | Women                                       |          | 24.0    |
| <b>Longevity at 65 for future pensioners:</b>  |   |          |         |
| 25.3   | Men   |          | 23.7    |
| 27.5   | Women                                       |          | 25.8    |
| 3.3%   | Rate of inflation (RPI)                     |          | 3.4%    |
| 2.3%   | Rate of inflation (CPI)                     |          | 2.4%    |
| 3.8%   | Rate of increase in Salaries                |          | 3.9%    |
| 2.3%   | Rate of increase in Pensions                |          | 2.4%    |
| 2.6%   | Rate of discounting scheme liabilities      |          | 2.4%    |

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.

| <b>Impact On The Defined Benefit Obligation In The Scheme:<br/>Table 63<br/>2018/19</b> | <b>WBC Pension scheme<br/>increase in assumption<br/>£'000</b> | <b>WBC Pension scheme<br/>decrease in assumption<br/>£'000</b> |
|---|--|--|
| Longevity (increase or decrease in 1 year)  | (21,624)   | 23,423   |
| Rate of increase in salaries (increase or decrease by 0.1%)                             | (1,109)  | 1,101  |
| Rate of increase in pensions (increase or decrease by 0.1%)                             | (10,759)   | 13,066   |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%)                  | 11,631   | (9,299)  |

| <b>Impact On The Defined Benefit Obligation In The Scheme:<br/>Table 64<br/>2017/18</b> | <b>WBC Pension scheme<br/>increase in assumption<br/>£'000</b> | <b>WBC Pension scheme<br/>decrease in assumption<br/>£'000</b> |
|---|--|--|
| Longevity (increase or decrease in 1 year)  | (21,490)   | 20,698   |
| Rate of increase in salaries (increase or decrease by 0.1%)                             | (1,004)  | 999  |
| Rate of increase in pensions (increase or decrease by 0.1%)                             | (10,302)   | 10,099   |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%)                  | 11,056   | (11,285)   |

### Impact on the Council'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 is responsible for all early releases of benefit payments.

## 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 £5.9m (2017/18: £5.9m) to Teachers' Pensions in respect of teachers' retirement benefits.

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

## 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 £7.1 k (2017/18: £4.1k) to the NHS Pension Scheme.

# Notes Supporting the Cashflow Statement





## Note 37 General Fund Deficit Reconciliation to Revenue Activities Net Cash Inflow

| 2017/18       | Net Cashflow   | 2018/19       |
|---------------|--|---------------|
| £000          | Table 65   | £000          |
| 276           | General Fund (Surplus) / Deficit   | (82)          |
|               | <b>Non Cash Transactions</b>   |               |
| 49,421        | Contribution to/(from) Reserves  | 42,957        |
|               | <b>Items on an accruals basis</b>  |               |
| (6)           | (Increase)/Decrease in Stock   | (4)           |
| 1,923         | (Increase)/Decrease in Debtors   | 8,507         |
| (7,344)       | Increase/(Decrease) in Creditors   | (9,669)       |
| <b>44,270</b> | <b>Items classified outside Revenue Activities/Net cashflows from operating activities</b> | <b>41,709</b> |

## Note 38 Cash flow Reconciliation to Balance Sheet

| Cash flow reconciliation | 31/03/18         | Movement        | 31/03/19         |
|--------------------------|------------------|-----------------|------------------|
| Table 66                 | £000             | £000            | £000             |
| Short Term Borrowing     | (6,026)          | (8,846)         | (14,872)         |
| Borrowings PWLB          | (154,308)        | (40,438)        | (194,746)        |
| PFI Liability            | (13,652)         | 681             | (12,971)         |
| <b>Total</b>             | <b>(173,986)</b> | <b>(48,603)</b> | <b>(222,589)</b> |
| Temporary Investments    | 18,000           | 8,000           | 26,000           |

|                           |       |       |       |
|---------------------------|-------|-------|-------|
| Cash and cash equivalents | 6,194 | 2,120 | 8,314 |
|---------------------------|-------|-------|-------|

DRAFT

Notes other

### **Note 39 Contingent Liabilities**

The contractor responsible for the construction of Highwood Copse School has gone into Administration. The Council is actively engaging with administrators to determine the cost of the liability and the additional costs being incurred due to this unforeseen circumstance. Detailed costs are not known at this time.

### **Note 40 Parish Council Precepts**

Parish Councils are required to precept on the Council, which in turn precepts on the collection fund. The total precept is £ 4,169k (2017/18: £4,064), of which £19 k (2017/18 £4k) represents special expenses for the maintenance of closed church yards.

DRAFT

# Collection Fund and Notes



## Collection Fund Income and Expenditure Statement 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<br>2017/18<br>£000        | Business Rates<br>2017/18<br>£000 | Collection Fund Income & Expenditure Account<br>Table 67<br>notes                           | Council Tax<br>2018/19<br>£000 | Business Rates<br>2018/19<br>£000 |
|---------------------------------------|-----------------------------------|---|--------------------------------|-----------------------------------|
| <b>Income</b>                         |                                   |   |                                |                                   |
| (105,642)                             | 0                                 | Council Tax Receivable 40   | (113,011)                      | 0                                 |
| 0                                     | (87,793)                          | Business Rates Receivable 41  | 0                              | (87,000)                          |
| (488)                                 | 0                                 | MOD Contribution in lieu of Council Tax 42  | (500)                          | 0                                 |
| <b>(106,130)</b>                      | <b>(87,793)</b>                   | <b>Total Income</b>   | <b>(113,511)</b>               | <b>(87,000)</b>                   |
| <b>Expenditure</b>                    |                                   |   |                                |                                   |
| <b>Precepts &amp; Demands: 43</b>     |                                   |   |                                |                                   |
| 0                                     | 42,706                            | Central Government  | 0                              | 0                                 |
| 92,438                                | 41,851                            | West Berkshire Council  | 99,025                         | 85,516                            |
| 10,912                                | 0                                 | Thames Valley Police Authority  | 11,828                         | 0                                 |
| 4,004                                 | 854                               | Royal Berkshire Fire Authority  | 4,176                          | 864                               |
| <b>107,354</b>                        | <b>85,411</b>                     |   | <b>115,029</b>                 | <b>86,380</b>                     |
| (125)                                 | (1,235)                           | Transfer to General Fund in respect of distribution of previous year's estimated deficit 44 | (844)                          | (505)                             |
| <b>Charges to the Collection Fund</b> |                                   |   |                                |                                   |
| 0                                     | 2,096                             | Transitional Relief Payment   | 0                              | 1,145                             |
| 0                                     | 257                               | Costs of collection   | 0                              | 254                               |
| 62                                    | 300                               | Increase (-) decrease in Bad Debt Provision 45  | 119                            | 500                               |
| 0                                     | 4,500                             | Increase (-) decrease in Provision for Appeals  | 0                              | 0                                 |
| <b>62</b>                             | <b>7,153</b>                      |   | <b>119</b>                     | <b>1,899</b>                      |
| <b>107,291</b>                        | <b>91,329</b>                     | <b>Total Expenditure</b>  | <b>114,304</b>                 | <b>87,774</b>                     |
| <b>1,161</b>                          | <b>3,536</b>                      | <b>(Surplus)/Deficit for the year</b>   | <b>794</b>                     | <b>774</b>                        |
| 208                                   | 2,209                             | (Surplus)/deficit brought forward at 1st April  | 1,369                          | 5,745                             |
| <b>1,369</b>                          | <b>5,745</b>                      | <b>(Surplus)/deficit carried forward at 31st March</b>                                      | <b>2,163</b>                   | <b>6,519</b>                      |

## Notes to the Collection Fund

### Note 41 Council Tax

| 2017/18<br>£000 | Council Tax<br>Table 68           | 2018/19        |          |
|-----------------|-----------------------------------|----------------|----------|
|                 |                                   | £000           | £000     |
| <b>121,314</b>  | <b>Gross Council Tax Charge</b>   | <b>129,318</b> |          |
|                 |                                   |                | 129,318  |
| (1,787)         | Exemptions                        | (1,955)        |          |
| (7,787)         | Discounts                         | (8,184)        |          |
| (100)           | Disabled relief                   | (102)          |          |
| (5,998)         | Council Tax Support               | (6,066)        |          |
|                 |                                   |                | (16,307) |
| <b>105,642</b>  | <b>Net Council Tax Receivable</b> | <b>113,011</b> |          |

A system of charging revenue called 'Council Tax', based on residential property values, was introduced on 1<sup>st</sup> April 1993 and replaced the 'Community Charge', which was based on people.

### Note 42 National Non-Domestic Rates

| 2017/18<br>£000 | National Non-Domestic Rates<br>Table 69 | 2018/19       |         |
|-----------------|---|---------------|---------|
|                 |   | £000          | £000    |
| <b>95,538</b>   | <b>Gross Business Rates Charge</b>      | <b>94,144</b> |         |
| (3,263)         | Less empty and revalued properties      | (2,394)       |         |
| 0               | New funded relief                       | 0             |         |
| 2,096           | Transitional relief                     | 1,145         |         |
| (6,415)         | Mandatory relief                        | (8,182)       |         |
| (663)           | Discretionary relief                    | (482)         |         |
| 500             | RV List amendments                      | 2,920         |         |
| 0               | Additional bad debt write off           | (151)         | (7,144) |
| <b>87,793</b>   | <b>Net Business Rates Receivable</b>    | <b>87,000</b> |         |

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.

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

## Note 43 MOD contribution in lieu of Council Tax

The following contribution has been credited to the Collection Fund

| MOD contribution credited to<br>Collection Fund |                                |              |
|---|--------------------------------|--------------|
| 2017/18   |                                | 2018/19      |
| £000  | Table 70                       | £000         |
| <u>(488)</u>                                    | Ministry of Defence Properties | <u>(500)</u> |

Contribution received from the Ministry of Defence in lieu of Council Tax

## Note 44 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.

## Note 45 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 2018 it was estimated that the Collection Fund would have a Business Rates deficit of £505k and a council tax deficit of £844k. The following amounts were therefore due to/from preceptors:

| Council Tax | Business Rates | Contributions to Collection Fund (Surplus) and Deficit | Council Tax | Business Rates |
|-------------|----------------|--|-------------|----------------|
| 2017/18     | 2017/18        | Table 71   | 2018/19     | 2018/19        |
| £000        | £000           |  | £000        | £000           |
| 107         | 618            | West Berkshire Council                                 | 727         | 253            |
| 0           | 605            | Central Government                                     | 0           | 247            |
| 5           | 0              | Thames Valley Police                                   | 86          | 0              |
| 13          | 12             | Royal Berkshire Fire and Rescue Authority              | 31          | 5              |
| <u>125</u>  | <u>1,235</u>   |  | <u>844</u>  | <u>505</u>     |

## Note 46 Provision for Non-payment of Council Tax / NNDR

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

| 2017/18<br>£000 | Provision for non payment of Council Tax<br>Table 72 | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 160             | Opening Balance                                      | 160             |
| 62              | Transfer from/to Income and Expenditure Account      | 119             |
| (62)            | Write offs in the year                               | (119)           |
| <b>160</b>      | <b>Closing Balance</b>                               | <b>160</b>      |

| 2017/18<br>£000 | Provision for non payment of NNDR<br>Table 73 | 2018/19<br>£000 |
|-----------------|---|-----------------|
| 196             | Opening Balance                               | 339             |
| 300             | Change to the Provision                       | 500             |
| (157)           | Write offs in the year                        | (339)           |
| <b>339</b>      | <b>Closing Balance</b>                        | <b>500</b>      |

## Note 47 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.

| 2017/18<br>£000 | Business Rate Appeals<br>Table 74          | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>500</b>      | <b>Opening balance</b>                     | <b>4,500</b>    |
| 4,500           | Transfer from Income & Expenditure Account | 0               |
| (500)           | Write off in the year                      | (2,919)         |
| <b>4,500</b>    | <b>Closing Balance</b>                     | <b>1,581</b>    |

## Note 48 Council Tax Base



The Council tax base is calculated by reference to the number of properties in particular value bands within the District. The number of properties is adjusted for single person occupancy, empty properties, disabled use etc to arrive at a total for each band. Each band is then converted to a band D equivalent to determine the tax base.

| Council Tax Base<br>Table 75 |  | Band | Net<br>Dwellings | Multiplier | Band D<br>Equivalent    |
|------------------------------|--|------|------------------|------------|-------------------------|
|                              | Disabled                               | A    | 3.00             | 5/9        | 1.67                    |
|                              | up to £40,000                          | A    | 1,813.95         | 6/9        | 1,209.30                |
| over £40,000                 | up to £52,000                          | B    | 5,059.29         | 7/9        | 3,935.00                |
| over £52,000                 | up to £68,000                          | C    | 16,462.19        | 8/9        | 14,633.06               |
| over £68,000                 | up to £88,000                          | D    | 15,851.14        | 9/9        | 15,851.14               |
| over £88,000                 | up to £120,000                         | E    | 9,705.98         | 11/9       | 11,862.86               |
| over £120,000                | up to £160,000                         | F    | 6,398.09         | 13/9       | 9,241.69                |
| over £160,000                | up to £320,000                         | G    | 4,319.37         | 15/9       | 7,198.95                |
| over £320,000                |  | H    | 674.14           | 18/9       | 1,348.28                |
|                              |  |      |                  |            | <u>65,281.95</u>        |
|                              | Adjustment for losses on<br>collection |      |                  | X          | <u>0.994</u>            |
|                              |  |      |                  |            | <b><u>64,890.26</u></b> |

**Academy (School)** - A school that is independent of Local Education Authority control but remains publicly funded.

**Accounting Policies** - The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

**Accruals** - Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

**Actuarial Gains and losses** – These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have been changed.

**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.

**Amortisation** - A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

**Annual Governance Statement** - The annual governance statement is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

**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 council and the services it provides for a period of more than one year.

**Foundation Schools** - A category of school that receives 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 - 'usable' reserves and 'unusable' reserves.

**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-today 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.

DRAFT

This page is intentionally left blank

# Agenda Item 8

Document is Restricted

This page is intentionally left blank



Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank



Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank