

# Financial Statements 2017/18



West Berkshire  
COUNCIL

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### Introducing West Berkshire

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

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

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

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

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



## **Narrative Report**

### **Introduction**

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

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 Expenditure and Funding Analysis Statement** shows how annual expenditure is used and funded from resources. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **The Comprehensive Income & Expenditure Statement** which records all the council's income and expenditure within the year. The statement provides an analysis of income and expenditure by directorate level and also shows details of corporate transactions and funding. Expenditure represents a combination of services and activities that the council is required to carry out by law (statutory duties) and discretionary expenditure focused on local priorities and needs.
- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (total assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. Usable reserves that may be used by the council to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves cannot be used by the council to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement section 'Adjustments required due to statutory accounting policies'.
- **The Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the council, analysed into usable reserves which can be invested into capital projects or service improvements and unusable reserves which must be set aside for specific purposes.
- **The Cash Flow Statement** which shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of council tax and grant income or from the recipients of services

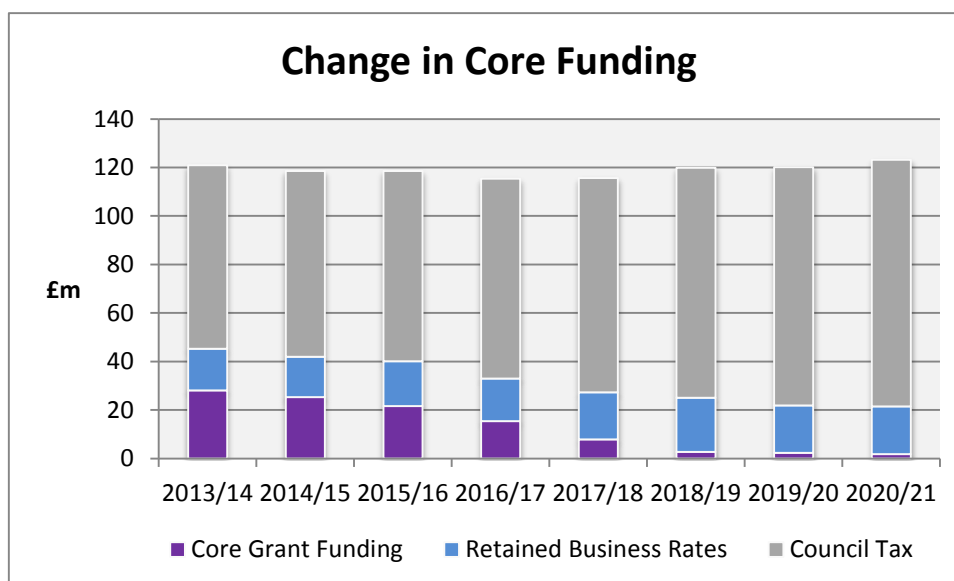
provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery.

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

## Revenue Financial Performance 2017/18

### Budget Setting

The council has continued to face reductions in its core grant funding leading to greater reliance on funding from council tax and from local business rate generation. 2017/18 saw a 61% cut in Revenue Support Grant (RSG) for West Berkshire from the previous year. The reduction in core grant funding will continue until 2020/21 when it will have reduced to just 1.5% of available funding.

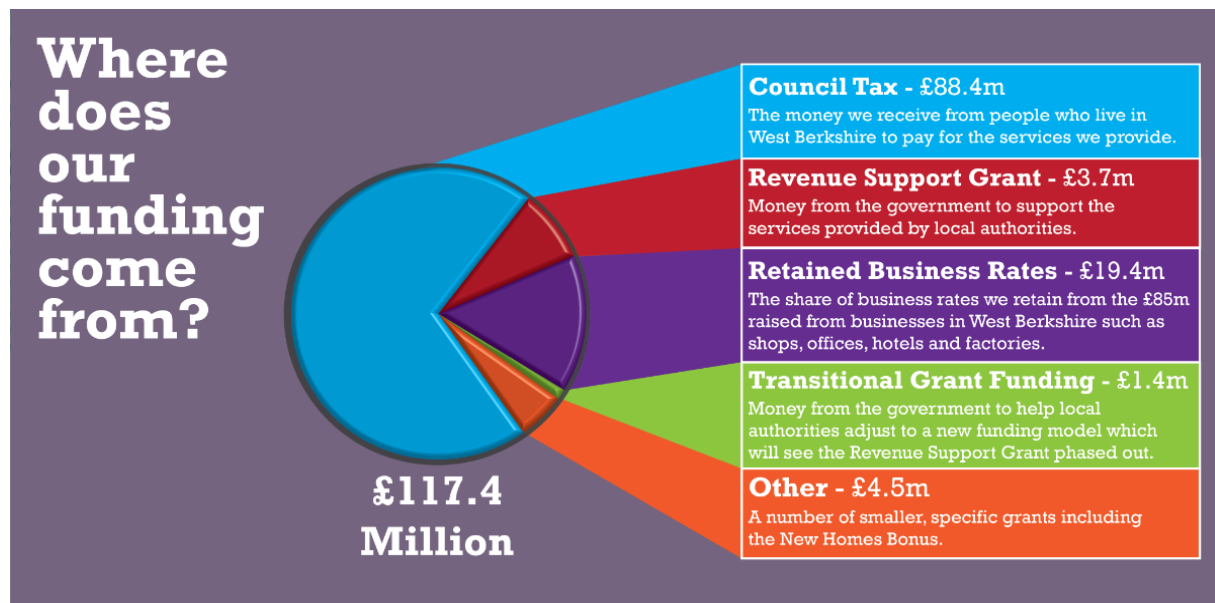


The council has faced significant demand led pressure on its social care budgets and needed to make additional budget investment in 2017/18 of nearly £4m. Investment was made in adult social care for the transition of learning disability clients from children to adult placements and for pressures relating to demand, complexity of need and prices. The introduction of an Apprentice Levy has created a new pressure on both the Council and individual schools' budgets, and no additional funding was made available for this.

In 2017/18 West Berkshire Council increased council tax by 1.99% raising £1.6m and raised a 3% precept on council tax to fund adult social care pressures raising an additional £2.5m. This left a gap of £4.7m to be met from savings and income. The 2017/18 savings programme included reductions in highways and drainage maintenance and road safety, restructure of youth support, family resources, help for families and young carers service, increases in highways fees and charges including parking and many others. During the year, progress against savings is monitored and by year-end over 93% of this target was met with

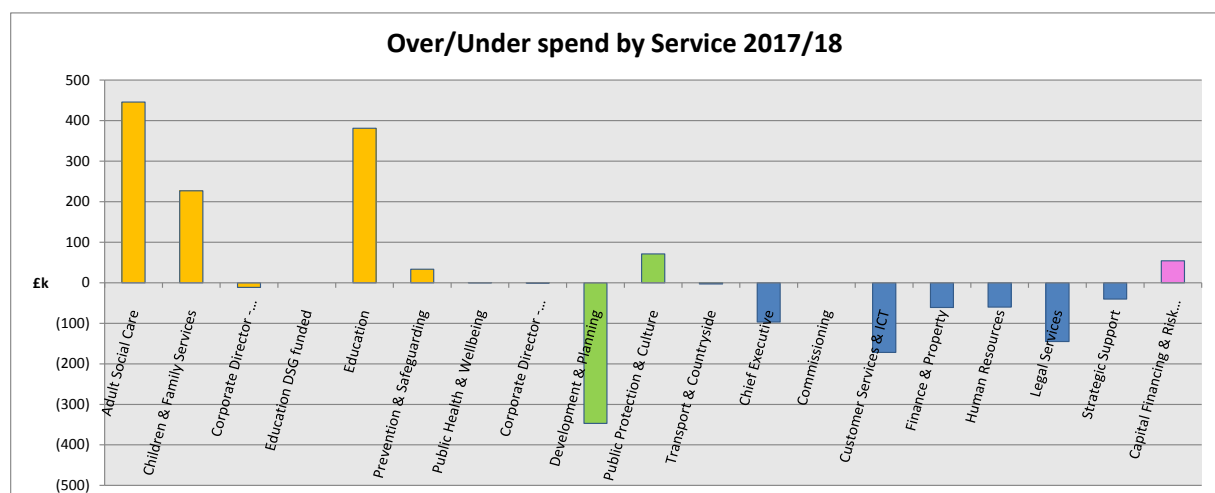
plans to achieve the ongoing target in full from 2018/19. Despite the economic and financial challenges, the council has continued to deliver on the tasks that it set itself.

The council set a net revenue budget of £117.4m for the 2017/18 financial year, funded from non-ring-fenced funds comprising council tax, Revenue Support Grant (RSG), retained business rates, and other amounts including various smaller grants. Ring-fenced funding forms part of the individual service budgets to which it relates.



## Revenue Outturn

The overall revenue outturn for 2017/18 was an overspend of £276k, which represents 0.23% of the net revenue budget. This demonstrates the sound financial management and budgetary control in place across the council and our efficiency and effectiveness in the use of resources available to the council. The final outturn was an excellent result in the context of having to manage significant pressures during 2017/18 within its “demand led” services. At quarter three, the council faced the prospect of a £860k overspend. By year-end, the overall overspend had reduced predominantly due to underspends in both the Economy and Environment and Resources Directorates. The final outturn by Service is shown in the following graph and table. (Yellow Communities Directorate, green Economy and Environment Directorate, blue Resources Directorate and pink capital financing).



2017/18 Budget Outturn by Service Table 1b	Current Net Budget 2017/18	Annual Net Expenditure 2017/18	Over/(under) spend 2017/18
	£000	£000	£000
<b>Communities Directorate</b>			
Adult Social Care	38,162	38,608	446
Children and Family Services	14,538	14,765	227
Corporate Director - Communities	205	193	(12)
Education (DSG funded)	(523)	(523)	0
Education	7,983	8,364	381
Prevention and Safeguarding	852	886	34
Public Health	(123)	(123)	0
<b>Total Communities</b>	<b>61,094</b>	<b>62,170</b>	<b>1,076</b>
<b>Economy and Environment Directorate</b>			
Corporate Director - Economy and Environment	158	158	0
Development and Planning	2,379	2,032	(347)
Public Protection and Culture	4,104	4,175	71
Transport and Countryside	23,860	23,857	(3)
<b>Total Environment</b>	<b>30,501</b>	<b>30,222</b>	<b>(279)</b>
<b>Resources Directorate</b>			
Chief Executive	726	629	(97)
Commissioning	824	824	0
Customer Services and ICT	3,109	2,937	(172)
Finance and Property	3,560	3,499	(61)
Human Resources	1,468	1,408	(60)
Legal Services	1,052	907	(145)
Strategic Support	2,341	2,301	(40)
<b>Total Resources</b>	<b>13,080</b>	<b>12,505</b>	<b>(575)</b>
<b>Capital Financing &amp; Risk Management</b>			
Movement through Reserves	1,769	1,769	0
Capital Financing & Risk Management	10,966	11,020	54
<b>Total Capital Financing &amp; Risk Management</b>	<b>12,735</b>	<b>12,789</b>	<b>54</b>
<b>Total Outturn 2017/18</b>	<b>117,410</b>	<b>117,686</b>	<b>276</b>

## Communities Directorate

The Communities Directorate year-end revenue position was an overspend of £1,076k against a net budget of £61m. Pressures were incurred on demand led budgets across Adult Social Care, children's placements and support for children with disabilities in Education Services. The Adult Social Care outturn was an over spend of £446k, largely attributable to commissioning rates continuing to increase above the rate of inflation. During the financial year £1.89million of one off in year funding was utilised to support the budget, by releasing service specific risk reserves and other one off funding. Significant investment has been made into the 2018/19 budget as a result. Children and Family Services outturn was an over spend of £226k after the release of £348k of one off funding from the Children & Families risk reserve. The Education outturn was an over spend of £381k, as a result of demand on the budgets for supporting children with disabilities, increasing costs for residential and community care packages, and higher than expected costs of agency staff and social worker

recruitment and retention payments. The remainder of the Communities Directorate was on line.

### Economy and Environment Directorate

The Economy and Environment Directorate year-end revenue position was an underspend of £279k, against a net budget of £32m. Development & Planning under spent by £347k, Transport & Countryside closed in a break even position and Public Protection & Culture had a small over spend.

### Resources Directorate

The Resources Directorate year-end revenue position was an underspend of £575k, against a net budget of £13m. All services across the directorate generated underspends or a break even position.

### Capital Financing and Risk Management

The year-end position was an over spend of £54k. Net income on interest earned from investments was below target because market interest rates remained very low throughout the financial year 2017/18 and there was a shortfall against the target for cheques written back. This shortfall was offset by lower than expected interest paid on long term loans to fund capital expenditure.

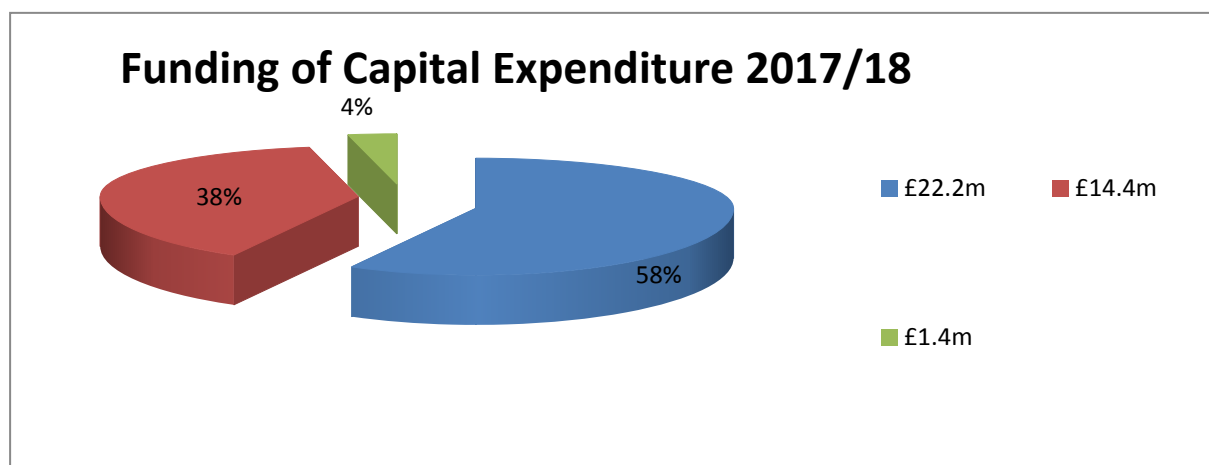
Reconciliation between the management accounts and the financial accounting at year-end is presented in Table 13.

## Capital Financial Performance 2017/18

### Funding

Where possible the investment in capital is funded from government grants, developers' contributions, or through the sale of assets which the council no longer needs. However, when there is not enough funding from these sources the council needs to provide its own funds, mainly by taking out long term loans to help fund its capital investment.

The chart below shows how the council's total capital expenditure of £38.0 m was funded.

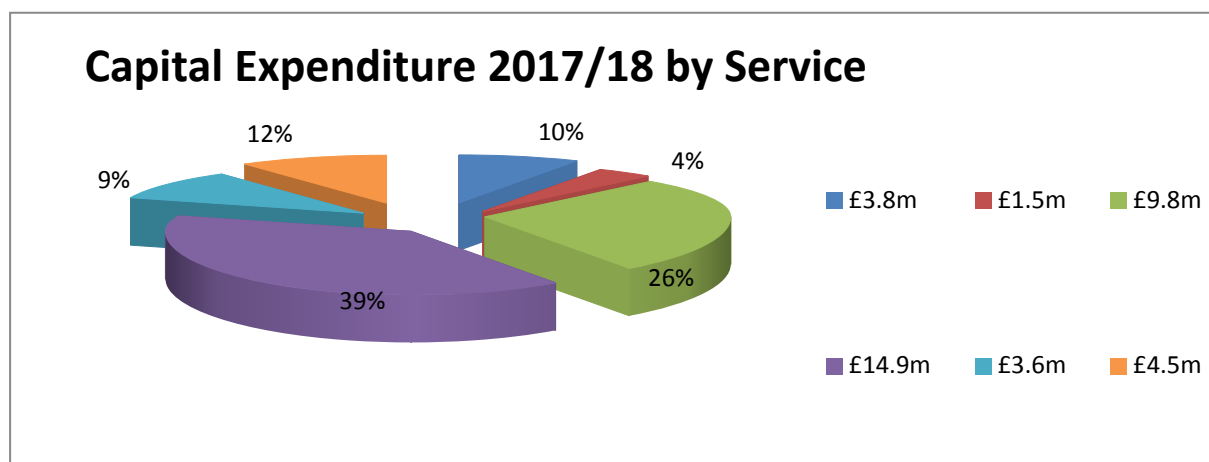


No capital receipts from the sale of assets were used to fund capital expenditure in 2017/18, as the Council exercised its power to make flexible use of capital receipts to help fund the

transformation process, to make service delivery more efficient and to achieve future cost savings. £2.13m capital receipts were used for this purpose in 2017/18.

### Expenditure

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 2017/18 the Council acquired some investment properties in order to generate additional income for the Council, to help fund Council services. The chart below shows the areas on which £38.1m capital was spent in 2017/18.



### Borrowing in 2017/18

In 2017/18 the council took out new long term loans of £31.9m from the Public Works and Loans Board (PWLB) to fund capital expenditure and made principal repayments to the PWLB of £4.8m, bringing its total PWLB loans balance to £159.7m. Payments of £0.6m were made which reduced the level of debt embedded in the Private Finance Initiative (PFI) contract. This brought the council's total level of long term loans to £168.0m as at 31 March 2018 (excluding the £6.0m repayments of PWLB and PFI debt which are due to be made in 2018/19).

The council needs to take out short term loans to cover its cash flow needs due to a number of peaks and troughs in cash balances throughout the year. The short term loans are normally taken out for periods of less than one month. The cost of this borrowing is more than offset by the interest earned by the investment of the council's surplus cash in peak periods. However, the council had no short term loans outstanding at the 31 March 2018. The Council's short term borrowing balance at 31 March 2018, therefore, consists entirely of £6.0m repayments of PWLB and PFI debt which are due to be made in the financial year 2018/19.

The council had a revenue budget of approximately £10.38m in 2017/18 for repayment of borrowing to fund capital expenditure. This amount will grow as a percentage of the council's revenue budget in the coming years, though at a relatively slow rate, as the amount of capital spend planned to be funded from borrowing will decrease over the next five years.

One outcome of the national economic position is low rates of interest on borrowing from the PWLB. This has enabled the council to borrow to fund for the capital strategy at a very low rate. This also means that return on short term investments is also comparatively low. However, as this council does not hold any long term investments, this is not a great

significance compared to some other 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 £22.7 million.

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

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

### Performance Measurement within the Council

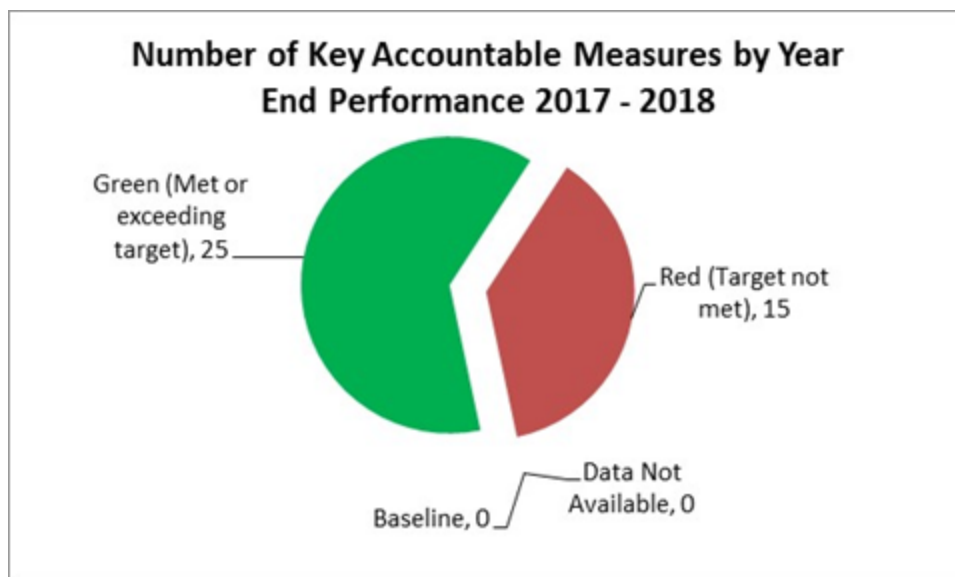
The Council's Performance Framework describes the approach used to monitor progress against the strategic and operational plans of the council. At the most strategic level key accountable measures are used to monitor progress against the overarching aim to 'Become an even more effective council' and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

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

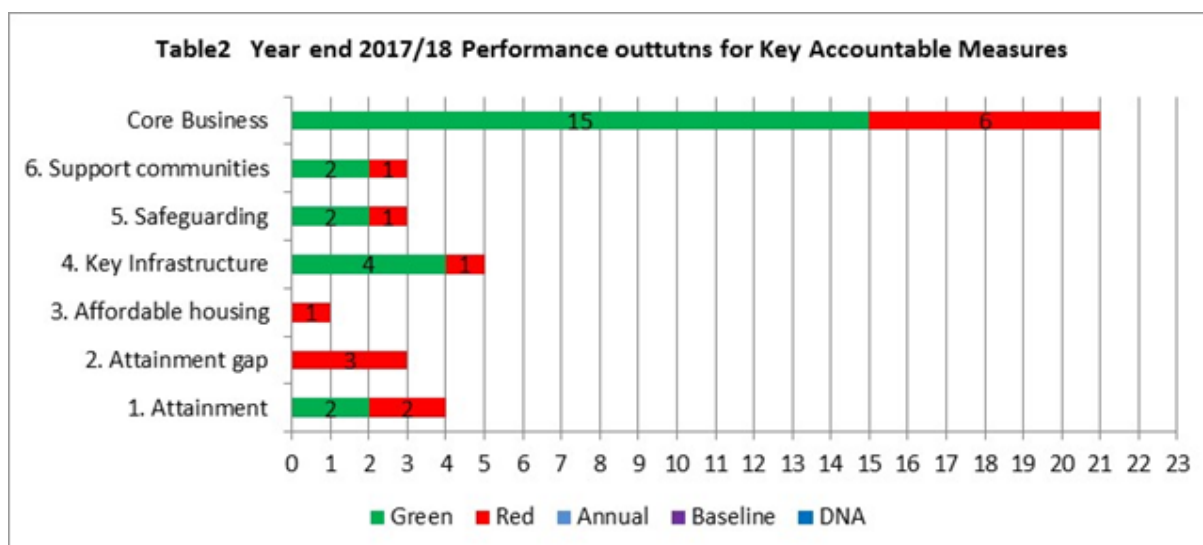
The council has a formal quarterly process for measuring its performance against its strategic objectives. Further details are provided in the section below on KPIs. This is coupled with a solid track record of financial management and delivery of its strategy against a backdrop of significant financial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

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

At the end of March 2018 a total of 40 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 all 40 measures and milestones.



Provisional end of year results were better than the expected targets for 25 measures (62.5%) and were (RAG) rated 'Green'. The remaining 15 measures (37.5%) have not achieved the end of year targets or deadlines and were RAG Rated 'Red'. This is similar to the previous year's overall result (64% of measures rated 'Green'). The following table highlights the performance achieved against each priority of the Council Strategy:



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

### Main Changes to the Core Statements and Significant Transactions in 2017/18

#### Fixed Assets

The former waste depot at Pound Lane, Thatcham was sold for £2.9m and the Council's interest in a shared ownership former council house was also sold for £0.1m. The freehold of a number of public toilets, which were valued in total at £435,000 were transferred to the local parish councils, who will from now on take responsibility for their running costs. The net gain on disposal of all these assets of £1.9m (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 2017/18 the Council also acquired new commercial property with a value of £14.9m, as part of the property investment strategy adopted by the Council in May 2017.

#### Long Term Liabilities

The level of borrowing to fund capital spending was significantly higher than in 2016/17 as £22.2m was borrowed from the Public Works Loans Board to fund the purchase of commercial property completed in 2017/18, together with further property investment which is planned to be completed by July 2018. 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 £7,114k for the 2017/18 financial year (council tax £1,369k and non-domestic rates £5,745k). The deficit is recovered as part of the council tax and non-domestic rates setting process during the following financial year.

#### Pensions Liability

The pension fund deficit is currently £317m. This reflects the value of pension liabilities which the council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. This amount is written out through the accounts so has no meaningful impact on the council's current operation, though it has reduced the council's 'net worth' on the Balance Sheet. The council's pension fund has to be revalued every three years to set future contribution rates. The next review will be on the 31<sup>st</sup> March 2019.

#### Unusual charges or credits in the financial statements

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

#### Significant changes in accounting policies

There were no significant changes in accounting policies in the year 2017/18.

#### Change in statutory functions

There were no significant changes in statutory functions in the year 2017/18.

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

There were no significant contingencies, provisions or write offs during the year 2017/18.

### Material events after the Balance Sheet Date 2017/18

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

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

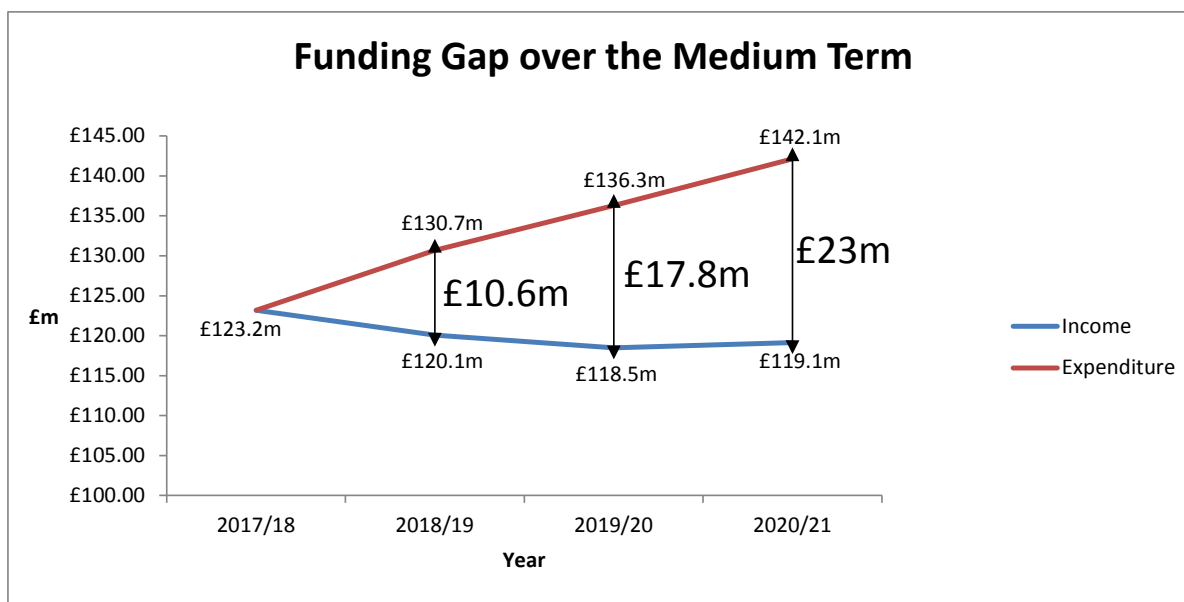
In October 2016, West Berkshire Council accepted a four year financial settlement offered by Government. Whilst this settlement committed the council to a continued reduction in Government funding, it has provided financial stability from 2016/17 to 2019/20 on which the council has been planning ahead and building other sources of income.

The Secretary of State for local government has approved a bid submitted collectively by the six unitary authorities in Berkshire to inform the development of a new funding system for local government. Along with nine other proposals from groups of authorities across England, the creation of a business rates pilot across Berkshire in 2018/19 will help the Government develop its detailed proposals to devolve business rate income to local authorities, replacing the current grant funding arrangements.

During the pilot year, it is estimated that an additional £35m of business rates income collected in Berkshire will be retained within the county, rather than being returned to Whitehall as at present. This sum represents growth in the overall level of business rates income achieved since the current system of funding was introduced in 2013 and is an incentive designed to encourage local councils to invest in their local economies. Respecting this, the Berkshire authorities have committed to set aside 70% of the additional funding to make improvements to transport infrastructure in the Reading – Wokingham and Slough – Heathrow corridors. The works will be taken forward by the Thames Valley Berkshire Local Enterprise Partnership (LEP), an organisation with both private and public sector representation that has helped inform the Berkshire proposal.

The remaining 30% of additional funding will be distributed to the individual local authorities in Berkshire, in proportion to their respective contribution to the overall growth. Detailed arrangements for all of the approved pilot areas will be agreed with the Department for Local Government and Communities over the coming months to ensure the business rates pools are established in time for the new financial year in April. For West Berkshire, of the £86m we expect to raise locally in 2018/19, we expect to retain £22m (26%). In 2017/18 we collected £85m and retained £19m (22%). The pilot has been agreed for one year only.

The council's costs grow each year as a result of inflation, salary increases, and changes to National Insurance and pension contributions, and service pressures arising from increased demand and new responsibilities. The forecast levels of funding over the period of the medium term financial strategy (MTFS) together with provision for budgetary increases, means that West Berkshire Council would be facing a funding gap of £23m by 2020/21, before considering Council Tax increases or savings plans. The following chart shows how the funding gap would grow if savings or other income were not identified to bring the budget back in balance.



In order to close the 2018/19 gap of £10.6m, Council Tax was increased by 2.99% raising £2.7m, with a 3% precept ring-fenced for adult social care raising a further £2.7m. Savings or income generation generated £5.2m. For 2019/20 and 2020/21, the assumption in the Medium Term Financial Strategy is that Council Tax increases will be at 2% per year.

Over the past few years, the Council's savings programmes have focused largely on becoming more efficient at what we do and reducing the Council's administrative functions. Over the last eight years these efficiencies have contributed almost half of the £55m savings taken out of our budgets so far.

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. The Corporate Programme is driving this change and contains a number of projects that aim to support the Council's financial strategy through identifying opportunities to transform services and through implementing changes that will deliver new income streams. These areas of activity are being progressed using the council's project management methodology and therefore have their own time lines and governance structures. Resources and staffing have been allocated to the Corporate Programme in order to move this forward, and £1m was put 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. Digitisation solutions have been identified to address council services such as bookings, training courses and payments and to assist with the Waste Services project.

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

One of the most successful processes undertaken in 2017 was the Financial Challenge Reviews where each service within the council was reviewed in detail from their budget sheets through to the activity undertaken and their staffing structures. This review has so far identified £1.9m that might be generated from savings or income generation over the next three years, over and above that already identified as part of other processes. This is a

significant contribution towards the funding gap. The process continues in 2018, at a less molecular level, with the Panel having responsibility for identifying contributions towards the remaining funding gap for 2019/20 and 2020/21.

Linked to this piece of work and with a view to enabling the council to be able to keep pace with the constant demand on budgets, is the New Ways of Working project which is designed to review how and why we deliver the services and looking at how we might deliver them in a more effective and efficient way. We will be reviewing statutory and non-statutory elements and most importantly, the structure of the organisation. If the council is to withstand the financial challenge, we must adapt and this can only ultimately be achieved through a completely new structure and method of delivering our services. This large project has a target of three years to deliver changes.

As part of these 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.

### **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. A Property Investment Board has been established to drive this.

The Commissioning Service has been established in order to bring a more commercial approach to the way in which goods and services are procured. There is a large piece of work looking at where we can trade further with schools and other organisations to increase our income opportunities and compete in what has previously been, a limited market.

### **Reducing the amount we pay for collecting and disposing of household waste**

One of the largest projects underway at present centres on the savings to be generated from amending our current street cleansing schedules and the potential to start charging residents for garden waste collection.

### **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 occurring 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 looking at where we may replicate this.

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 to request assistance with many of the services we have had to cut 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 funding.

This strategy is aimed at closing the funding gap and bringing financial stability for the future.

### **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 2018 to 2022 which allows for future investment in the following key areas:

- £69.8 million for new school places and improvements to school buildings;
- £55.5 million for maintenance and improvement of highways
- £4.0 million to facilitate the delivery of superfast broadband across West Berkshire;
- £15.7 million for occupational health equipment, home adaptations and supported living for vulnerable adults and looked after children and £1.9m to improve the supply of temporary accommodation for people at risk of becoming homeless;
- £3.7 million for maintenance and improvement of parks, open spaces sporting and cultural facilities and £0.5m for grants to support community projects.
- £30.0 million 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 five years will continue to ensure that core assets are maintained and protected.

### **Reserves**

There needs to be sufficient levels of reserves for the council to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation. The level of usable reserves the council holds is reviewed as part of the medium term financial planning. Consideration is given to the current financial standing of the council, the funding outlook into the medium term and the financial risk environment we are operating in. The use of reserves is a one off solution and must be used prudently to ensure it does not undermine longer term budget sustainability.

Usable reserves have been called on in 2017/18 to fund the revenue overspend, fund exit costs, facilitate transformation projects and release earmarked reserves. The council has in the 2018/19 budget put £1.24m back into reserves, to mitigate against service specific risks and to ensure that the council has the resources to pursue transformation plans outlined in the MTFS and to invest in strategies that will bring future benefits to the organisation.

### Conclusion

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

### Further information

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

Andy Walker, Head of Finance  
West Berkshire Council  
Market Street, Newbury, RG14 5LD  
[andy.walker@westberks.gov.uk](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 2018 and up to the date of approval of the annual report and statement of accounts.

### 3 The governance framework

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

- Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's Strategy and ensuring that they represent the best use of resources;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- Consultation on the budget and any proposed budget reductions are planned in good time and adhere to the Council's own consultation policy. As part of any consultation on the budget the Council is cognisant of the "Gunning" principles that require the Council to consult at the formative stage which would mean potential options being available for the residents to comment on. Clearly as the Council's budget reduces and the pressure on further reductions increases this approach becomes more difficult. However, where options are available the Council will seek the views of the residents. The Council will also continue to ensure that the requirements of an Equality Impact Assessment are met and ask our residents how a proposed reduction in service might impact on them 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 work of the Risk Management Group and the Risk Management framework;
  - The annual assurance statements produced by Heads of Service;

- The work of the Governance and Ethics Committee;
  - The work of Internal Audit; and
  - The work of the Overview and Scrutiny Management Commission.
  - Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman and external auditor KPMG.
  - Commissioning regular external peer reviews by the Local Government Association.
- 4.3 We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Governance and Ethics Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 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.
- 4.5 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.
- 4.6 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.
- 4.7 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.
- 4.8 Ethical matters are managed by the Governance and Ethics Committee.

## **5 Significant governance issues identified in the AGS for 2016/17**

- 5.1 The following is an outline of the significant governance issues that were identified in preparing the 2016/17 AGS.
- The Council's proposals to invest significant sums in property to generate revenue present an opportunity to mitigate the ongoing financial pressures faced by the Council. Given the proposed scale of the investment the Council will need to ensure that there are effective governance arrangements in place around investments decisions and ongoing management of the investments.
  - The Council's transformation programme aims to help the Council continue to deliver services within reducing resources. Given the potential scale of change arising from

transformation, the Council will need to ensure that there are effective governance arrangements around proposed changes.

5.2 The following measures were implemented during 2017/18:

- The Finance and Governance Group carried out a review of the Council's governance arrangements in relation to the Council's investment decisions and transformation programme.

## **6 Significant Governance Issues identified in 2017/18**

6.1 The following is an outline of the significant governance issues identified in 2017/18.

- The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to 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.


6.2 The following measures will be implemented during 2018/19:

- GDPR compliance will be closely monitored during year to ensure effective implementation.
- Council's constitution will be reviewed by Finance and Governance Group in accordance with the agreed plan.

Signed:



Nick Carter – Chief Executive



Graham Jones – Leader of the Council



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**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 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Other information published with the financial statements**

The Head of Finance is responsible for the other information published with the financial statements, including the Narrative Report and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

**Head of Finance's responsibilities**

As explained more fully in the statement set out on page 26, the Head of Finance is responsible for: the preparation of the Authority's 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 2017/18; 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; 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 on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

### **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

#### **Report 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 issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, West Berkshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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 West Berkshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Berkshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### **Statutory reporting matters**

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made 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;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

#### **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

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

#### **CERTIFICATE OF COMPLETION OF THE AUDIT**

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

Ian Pennington  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

3 Assembly Square, Britannia Quay  
Cardiff  
CF10 4AX                      2018

### 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.

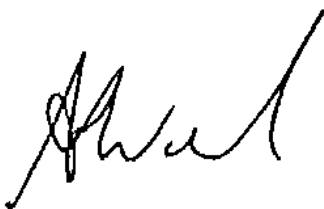
### The Chief Financial Officer's responsibilities

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 [and the Group'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 [and the Group] 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 2018 and of its income and expenditure for the year then ended



Andy Walker  
Head of Finance

31/07/2018

## Expenditure and Funding Analysis Statement

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

2016/17 Restated			Table 05A	2017/18		
Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
66,710	25,413	92,123	Communities Directorate	62,170	22,481	84,651
30,542	11,257	41,799	Environment Directorate	30,222	13,981	44,203
12,274	2,328	14,602	Resources Directorate (including Support Services)	12,505	5,137	17,642
7,298	(7,290)	8	Capital Financing and Risk Management	12,789	(12,955)	(166)
116,824	31,708	148,532	Net Cost of Services	117,686	28,644	146,330
0	(123,090)	(123,090)	Other Income and Expenditure from the Expenditure and Funding Analysis	0	(131,331)	(131,331)
			Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services			
116,824	(91,382)	25,442		117,686	(102,687)	14,999
(21,221)			Opening General Fund	(19,301)		
1,920			Less / Plus surplus or (deficit) on General Fund	(728)		
(19,301)			Closing General Fund as at 31st March 2018	(20,029)		

Due to the restatement of the CIES for 2016/17, this table has also been restated.

# Comprehensive Income and Expenditure Statement

2016/17 Restated			Comprehensive		2017/18		
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>							
217,639	(125,516)	92,123	Communities Directorate		211,760	(127,109)	84,651
55,314	(13,515)	41,799	Environment Directorate		60,095	(15,892)	44,203
63,400	(48,798)	14,602	Resources Directorate including Support Services		64,236	(46,594)	17,642
8	0	8	Capital Financing and Risk Management		0	(166)	(166)
<b>336,361</b>	<b>(187,829)</b>	<b>148,532</b>	<b>Net Cost of Services</b>	<b>7</b>	<b>336,091</b>	<b>(189,761)</b>	<b>146,330</b>
		7,548	(Gain) / loss on the disposal of non current assets				(54)
		3,865	Precepts to Parishes	41			4,064
		142	Levies Payable				145
		482	(Surpluses)/deficits on trading undertakings	26/27			834
		<b>12,037</b>	<b>Other Operating Expenditure</b>				<b>4,989</b>
	(291)		Interest Receivable	15a			(367)
	(140)		(Surpluses) / deficits on investment properties	14a			(4,407)
	8,427		Remeasurement of net defined benefit liability	38a			8,435
	6,008		Interest Payable and similar charges	15a			6,022
		<b>14,004</b>	<b>Financing and Investment Income and Expenditure</b>				<b>9,683</b>
		<b>174,573</b>	<b>Net Operating Expenditure</b>				<b>161,002</b>
	(86,056)		Income from Council Tax				(91,324)
	(19,272)		Income from Business Rates				(18,874)
	(17,111)		Non Ring Fenced Government Grants	34a			(9,936)
	(26,692)		Capital Grants and Contributions	34a			(25,869)
	<b>(149,131)</b>		<b>Taxation and Non Specific Grant Income</b>				<b>(146,003)</b>
	<b>25,442</b>		<b>Surplus or Deficit on Provision of Services</b>				<b>14,999</b>
	(11,218)		(Surplus) / deficit on revaluation of Fixed Assets	23b			(3,413)
	64,940		Remeasurement of the net defined benefit liability/ (asset)	38a			(19,093)
		<b>53,722</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(22,506)</b>
		<b>79,164</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(7,507)</b>

A review of capital accounting treatment was undertaken in 2017-18 resulting in a restatement of 2016-17 for the purposes of comparison between financial years.

## Balance Sheet

2016/17 £000	Balance Sheet Table 06	Note	2017/18	
			£000	£000
	<b>Property, Plant and Equipment</b>			
190,572	Buildings	11a	184,558	
67,837	Land	11a	65,506	
0	Assets under construction	11a	111	
161,705	Other	11a	166,005	
420,114				416,180
7,412	Investment properties	14b		26,023
<b>427,526</b>	<b>Total Property, Plant and Equipment</b>			<b>442,203</b>
94	Long Term Debtors			103
<b>427,620</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>442,306</b>
	<b>Current Assets</b>			
6,500	Short term investments	15a	18,000	
15	Inventories	17a	9	
22,065	Short term debtors	18	20,978	
3,209	Assets held for sale	11a	2,074	
0	Surplus assets	11a	623	
3,475	Cash and cash equivalents	19	6,194	
35,264	<b>TOTAL CURRENT ASSETS</b>			47,878
<b>462,884</b>	<b>TOTAL ASSETS</b>			<b>490,184</b>
	<b>Current Liabilities</b>			
(18,407)	Short term borrowing	15a	(6,026)	
(32,823)	Short term creditors	20	(39,117)	
<b>(51,230)</b>	<b>TOTAL CURRENT LIABILITIES</b>			<b>(45,143)</b>
	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>445,041</b>
	<b>Long term Liabilities</b>			
(153)	Provisions	21	(140)	
(236)	Contributions deferred account		(236)	
(317,317)	Pension liability	38a	(317,292)	
(127,749)	Borrowings PWLB	16c	(154,308)	
(14,293)	PFI liability	37b	(13,652)	
<b>(459,748)</b>				<b>(485,628)</b>
<b>(48,094)</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>(40,587)</b>
6,345	General Fund	10c	6,069	
2,066	Working Balances	10c	2,603	
10,890	Earmarked Reserves	10c	11,357	
29,386	Capital Reserves	12d	40,461	
48,687	<b>Usable Reserves</b>			60,490
220,536	Unusable reserves, exc Pensions	23		216,215
(317,317)	Pension Reserve			(317,292)
(96,781)	<b>Total Unusable Reserves</b>			<b>(101,077)</b>
<b>(48,094)</b>	<b>TOTAL DEFICIT ON RESERVES</b>			<b>(40,587)</b>

## Movement in Reserves Statement

now

Movement in Reserves Statement 2017/18 Table 07A		General Fund Balance £ 000	Capital Receipts Reserve £ 000	Capital Reserves £ 000	Reserves Usable £ 000    Unusable £ 000		Total Authority Reserves £ 000
	Note						
Balance as at 31 March 2017		19,301	209	29,177	48,687	(96,781)	(48,094)
Total Comprehensive Expenditure & Income		(14,999)	0	0	(14,999)	22,506	7,507
Adjustments required due to statutory accounting policies	9c	15,727	2,804	8,271	26,802	(26,802)	0
<b>Increase / (Decrease) in Year</b>		<b>728</b>	<b>2,804</b>	<b>8,271</b>	<b>11,803</b>	<b>(4,296)</b>	<b>7,507</b>
Balance as at 31 March 2018	10c / 12d / 23	20,029	3,013	37,448	60,490	(101,077)	(40,587)

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

The General Fund Balance includes Earmarked Reserves.

## Cash Flow Statement

2016/17 £000	Cash Flow Statement Table 08	Note	2017/18	
			£000	£000
	<b>Operating Activities</b>			
125,478	Taxation		133,842	
193,648	Grants		186,043	
1,005	Rents		850	
31,766	Sale of goods and rendering of service		28,378	
291	Interest received		367	
(3)	Other receipts from operating activities		488	
352,185	<b>Cash inflows generated from operating activities</b>			349,968
(148,831)	Cash paid to and on behalf of employees		(149,721)	
(39,906)	Housing benefit paid out		(36,971)	
(3,861)	Precepts paid		(4,064)	
(121,164)	Cash paid to suppliers of goods and services		(108,920)	
(6,008)	Interest paid		(6,022)	
(319,770)	<b>Cash outflows from operating activities</b>			(305,698)
32,415	<b>Net cashflows from operating activities</b>	24		44,270
	<b>Investing Activities</b>			
(31,035)	Purchase of property plant and equipment		(33,512)	
(12,500)	Purchase of short and long term investments		(22,000)	
(154,600)	Other payments for investing activities		(227,055)	
532	Proceeds from sale of PPE and investment properties		2,847	
6,500	Proceeds from the short and long term investments		10,500	
155,100	Other receipts from investing activities		221,621	
(36,003)	<b>Net cash flows from investing activities</b>			(47,599)
	<b>Financing Activities</b>			
102,370	Cash receipts of short and long term borrowing		51,645	
(262)	Other receipts from financing activities		439	
(94,513)	Repayments of short and long term borrowing		(45,408)	
(532)	Other payments for financing activities		2,847	
7,063				9,523
(28,940)	<b>Net cashflows from financing activities</b>			(38,076)
3,475	<b>Total</b>			6,194
	<b>Net increase/(decrease) in cash and cash equivalents</b>			2,719
2,481	<b>Cash and cash equivalents at the beginning of the reporting period</b>			3,475
994	<b>Cash and cash equivalents at the end of the reporting period</b>	19 / 25		6,194
3,475				

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### (1) Statement of Accounting Policies

#### I. General principles

The purpose of the Statement of Accounting Policies is to explain the basis of measurement that has been used in the preparation of the Financial Statements which summarise the council's transactions for the 2017/18 financial year and the state of affairs (ie the balance sheet) at 31 March 2018.

The Financial Statements for 2017/18 are prepared in accordance with the code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 2018 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 is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. In this instance, the Financial Statements is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date when the Financial Statements is authorised for issue are not reflected in the Financial Statements.

#### III. Exceptional Items

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

### IV. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services
- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventory on the Balance Sheet
- Interest payable on borrowing and receivable on investment is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised in the accounts but cash has not been received nor paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of the debtors is written down and a charge made to revenue for the income that might not be collected.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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

Accruals are not made for capital expenditure, but unspent capital funds are carried forward to the next financial year to cover any commitments which are outstanding at year-end, this is not believed to impact the true and fair view of the accounts. This does not follow CIPFA guidance as the recommended practice expects the use of accruals based accounting, which recognises items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the code. The council is of the opinion that the time required to produce these accruals is not cost effective. The capital expenditure is written out through the accounts so has no meaningful impact on the council's current operation or on the Comprehensive Income and Expenditure Statement, although it will have a minor impact on the council's 'net worth' on the Balance Sheet. The level of the accrual has been estimated to be about £2m which is 0.45% of the total value of Fixed Assets on the Balance Sheet (in 2016/17 this was 0.47% of the total value).

### V. Cash and Cash Equivalents

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

The 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.

### 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.

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

Where capital grants have been credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund through the Movement in Reserves Statement. Capital grants are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

A Business Improvement District (BID) scheme applies across the whole of the 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, which is a planning consent. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

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

### VII. Charges to Revenue for Non – Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non - current assets during the year:

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

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

provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account.

### VIII. Revenue Expenditure Funded from Capital Under Statute

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

### IX. Employee Benefits

#### Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the 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 a three year historic sample of leave owing and then averaged out to give a total for the whole council. No adjustment has been made for other employee costs. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the 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.

## Statement of Accounting Policies

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

The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Communities Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to the Teachers' Pension Scheme in the year.

The NHS Pension Scheme is also accounted for as if it were a defined contributions scheme, likewise the liabilities for these benefits cannot be identified to the council. No liability for future payments of benefits is recognised in the Balance Sheet and the Resources Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme (Berkshire Pension Scheme) is accounted for as a defined benefits scheme:

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

Liabilities are discounted to their value at current prices using a discount rate. (The discount rate is the yield on the Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond index, with an adjustment to reflect the liabilities relative to the duration of the index.)

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

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

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year; allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the change in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years or from plan curtailments; credited or debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Gains or losses on settlements - transactions that eliminate all further legal or constructive obligations for part or all of the benefits provided under the plan.
- Administration expenses are those that are directly related to the management of plan assets. These have been charged to the Comprehensive Income and Expenditure Statement.

- Net interest on the net defined benefit liability i.e. net interest expense for the council - is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period and adjusted for contribution and benefit payments during the year. This is charged to the Financing and Investment income and Expenditure Line of the Comprehensive Income and Expenditure Statement.
- Re-measurements comprising:
  - Differences between the return on plan assets and interest income on plan assets calculated as part of the net interest on the net defined benefit liability.
  - Actuarial gains and losses which result from events not coinciding with assumptions made at the last actuarial valuation or the actuaries updating the assumptions.These charges are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid into the Berkshire Pension Scheme, cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

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

### **X. Overheads and Support Services**

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

### **XI. Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be sold. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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.

### **XII. Heritage Assets**

A code / FRS102 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 assets is disclosed in the Balance Sheet since the cost of obtaining reasonable valuations would not be commensurate with the benefits to users of these statements.

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

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

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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 when it is incurred.

#### **Measurement**

Fixed assets are initially valued at cost, comprising:

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

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

Fixed assets are classified under the following headings:

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

#### **Revaluation**

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

## Statement of Accounting Policies

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Exceptional increases might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### Impairment

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

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

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

### Componentisation

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

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

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

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

### Depreciation

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

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

Depreciation is calculated on the following basis:

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

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

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

### Disposals and Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10k are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only be used for new capital investments or set aside to reduce the underlying need to borrow.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are

appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### XIV. Inventories and Work in Progress

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

#### XV. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged to the appropriate service revenue account in the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the Comprehensive Income and Expenditure Statement and the relevant provision released from the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

**Contingent Assets** arise where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

**Contingent liabilities** also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of economic benefits will be required or the amount of the obligation cannot be measured reliably.

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

#### XVI. Financial Instruments

##### Financial Liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of the instrument. They are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

On occasion the council may choose to repay loans before their maturity date which usually means that a discount will be received or a premium incurred. Such gains or losses on premature repayment of debt are recognised in the Comprehensive Income and Expenditure

## Statement of Accounting Policies

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Statement in the year they occur, unless they meet the modification test in the code (i.e. if the present values of the debt restructured has not changed significantly).

### Financial Assets – Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the council becomes party to the contractual provisions of the financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year.

### Available for Sale Financial Assets

The council does not currently hold any available for sale financial assets.

**Fair Value estimations:** With the exception of its long term loans from the Public Works Loan Board (PWLB), the fair value of all the council's financial assets and liabilities is deemed to be equal to their carrying value. This is because these assets and liabilities are either short term in nature (i.e. < 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.

The fair value of the council's long term PWLB loans as shown in the statement of accounts is the value calculated by the PWLB as the aggregate net present value of future cash flows, discounted using the appropriate discount rate taken from the premature repayment set of rates as at the 31<sup>st</sup> March.

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

## XVII. Private Finance Initiative (PFI)

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

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

**Reversionary Interests:** The council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (unenhanced) and a Reversionary Interest Asset has been created in the council's balance sheet. As the asset is stated initially at net present value, the discount will need to be unwound over the life of the scheme by earmarking

(decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the council.

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

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

### **XVIII. Leases**

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

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

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

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

#### **The Council as Lessee;**

The council has acquired some land, buildings, vehicles and equipment by means of operating leases. In accordance with current accounting procedures the operating leases are not stated in the Balance Sheet. Rentals are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment; charges are made on a straight line basis over the life of the lease and in accordance with the terms of the lease.

#### **The Council as Lessor;**

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

### **XIX. Reserves**

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

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

### XX. VAT

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

### XXI. Collection Fund

The Collection Fund Statement is an agent's statement which reflects the statutory obligation in accordance with section 89 of the Local Government Finance Act 1988 for billing authorities to maintain a separate Collection Fund. The Collection Fund shows the transactions of the billing 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).

### XXII. Accounting for Council Tax

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

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

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

### XXIII. National Non-Domestic Rates (NNDR)

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

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

### XXIV. Schools

The code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school

## Statement of Accounting Policies

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identified in the School standards and Framework Act 1998, as amended) lies with the local authority. The code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

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

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

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

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

### (2) Accounting Standards issued not adopted

Under the code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council’s financial assets does not anticipate any impairment.

IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 33) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

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).

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

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

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

The items in the council's balance sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### 4a Asset Valuations

These are based on market prices and are periodically reviewed to ensure that the council does not misstate its non-current assets and investment properties. The council's external valuer provided valuations as at 1<sup>st</sup> April 2017 for all the council's investment portfolio and circa 20% of its operational portfolio. The remaining balance of Operational properties was also reviewed to ensure values were reflective of current appropriate values. Investment properties were valued in line with new requirements.

##### **The consequences if the actual results differ from the assumption:**

A reduction in the estimated valuations would result in reductions in the Revaluation Reserve and or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the council's investment properties was to reduce by 10%, this would result in a circa £2,600k charge to the Comprehensive Income and Expenditure Statement.

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

Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. The net book value of non-current assets subject to potential revaluation is £276m.

#### 4b Pensions Liability

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

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

##### **The consequences if the actual results differ from the assumption:**

The 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.

#### 4c 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 safety net level for West Berkshire Council is set at £1.2m below the funding baseline of £16.6m

**The consequences if the actual results differ from the assumption:**

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

#### 4d Fair Value estimations – of Land and Buildings

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

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

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

The firm of Wilkes, Head & Eve were still the Council's valuers in 2017/18. All valuations are carried out in accordance with the professional standards of the Royal Institute of Chartered Surveyors (the RICS Red Book); International Reporting Standards (IFRS) and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting. All the valuations submitted by the external valuers are reviewed by the council's valuation expert, who regularly consults with accountants reporting directly to the Chief financial officer on all valuation matters.

**The consequences if the actual results differ from the assumption:**

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

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

#### 4e Provision for Doubtful Debts

As at the 31 March 2018 the council had an outstanding balance of short term debtors totalling £21m. 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.

**(5) Prior Year Adjustments**

There were no prior year adjustments.

**(6) Events after the Reporting Period**

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

**(7) Note to the Expenditure and Funding Analysis**

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

7a Adjustments between Funding and Accounting Basis

Adjustments between Funding and Accounting Basis 2017/18

Table 9

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Communities Directorate	15,424	5,991	1,065	22,480
Environment Directorate	12,970	3,343	(2,332)	13,981
Resources Directorate (including Support Services)	(2,143)	2,789	4,491	5,137
Capital Financing and Risk Management	0	(1,491)	(11,463)	(12,954)
Net Cost of Services	26,251	10,632	(8,239)	28,644
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,461)	8,435	(135,305)	(131,331)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	21,790	19,067	(143,544)	(102,687)

Adjustments between Funding and Accounting Basis 2016/17 Restated

Table 10

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Communities Directorate	17,352	2,107	5,954	25,413
Environment Directorate	10,961	1,162	(866)	11,257
Resources Directorate (including Support Services)	1,936	746	(354)	2,328
Capital Financing and Risk Management	0	0	(7,290)	(7,290)
Net Cost of Services	30,249	4,015	(2,556)	31,708
Other Income and Expenditure from the Expenditure and Funding Analysis	7,548	8,427	(139,065)	(123,090)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	37,797	12,442	(141,621)	(91,382)

Due to the restatement of the CIES for 2016/17, this table has also been restated.

The adjustment for Capital Purposes column includes:

- Depreciation, impairment and revaluation gains and losses
- Other operating expenditure: Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Taxation and non-specific grant income and expenditure: Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

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

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

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

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

## 7b Segmental Income

Income received on a segmental basis is analysed below:

Income received on a segmental basis:

Table 11

Services	2016/17 Restated		2017/18	
	Income from Services £000	Total	Income from Services £000	Total
<b>Communities Directorate</b>				
Fees & Charges	(8,958)		(9,260)	
Grants	(102,272)		(110,695)	
Contributions & reimbursements	(12,939)		(7,066)	
Other income	(1)		(5)	
Financial account adjustments	(1,346)		(83)	
Total		(125,516)		(127,109)
<b>Environment Directorate</b>				
Fees & Charges	(7,951)		(9,079)	
Grants	(2,557)		(2,873)	
Contributions & reimbursements	(2,595)		(3,929)	
Other income	0		0	
Financial account adjustments	(412)		(11)	
Total		(13,515)		(15,892)
<b>Resources Directorate</b>				
Fees & Charges	(1,447)		(930)	
Grants	(46,287)		(37,885)	
Contributions & reimbursements	(874)		(7,595)	
Other income	(107)		(1)	
Financial account adjustments	(83)		(183)	
Total Income Analysed on a segmental basis		(48,798)		(46,594)
<b>Capital Financing &amp; Risk Management</b>				
Fees & Charges	0		(166)	
Grants	0		0	
Contributions & reimbursements	0		0	
Other income	0		0	
Financial account adjustments	0		0	
Total Income Analysed on a segmental basis		0		(166)
Total of all Segments		(187,829)		(189,761)

Due to the restatement of the CIES for 2016-17, this table has also been restated.

(8) Expenditure and Income Analysed by Nature

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

Table 12	2016/17 Restated	2017/18
Expenditure / Income	£000	£000
<b>Expenditure</b>		
Employee Benefits Expenses	61,064	70,207
Other Services Expenses	235,221	227,082
Support Services Expenses	9,879	10,755
Depreciation, Amortisation, Impairment	30,539	24,474
Interest Payments	6,008	6,022
Precepts and Levies	4,007	4,209
Remeasurement of net defined benefit liability	8,427	8,435
Loss on Disposal of Assets	7,548	0
<b>Total Expenditure</b>	<b>362,693</b>	<b>351,184</b>
<b>Income</b>		
Fees Charges and Other Service Income	(187,829)	(189,761)
Interest and Investment Income	(291)	(367)
Income from Council Tax, Non-Domestic Rates, District Rate Income	(105,328)	(110,198)
Government Grants and Contributions	(43,803)	(35,806)
Gain on Disposal of Assets	0	(54)
<b>Total Income</b>	<b>(337,251)</b>	<b>(336,185)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>25,442</b>	<b>14,999</b>

Due to the restatement of the CIES for 2016/17, this table has also been restated.

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

**9a** The General Fund Balance summarises the resources that the council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. The General Fund Balance includes earmarked reserves and Working Balances which have been set aside for specific items.

**9b** The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets which are restricted by statute from being used other than to fund new capital expenditure or

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to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

- 9c** The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the council has met the conditions but which have yet to be applied 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.

2017/18				
	General Fund Balance £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves £000
<b>Table 13</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	19,067	0	0	19,067
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	2,734	0	0	2,734
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)	22,366	0	0	22,366
<b>Total adjustments to Revenue Resources</b>	<b>44,823</b>	<b>0</b>	<b>0</b>	<b>44,823</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(324)	2,991	0	2,667
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>(6,278)</b>	<b>2,991</b>	<b>0</b>	<b>(3,287)</b>
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance Capital Expenditure	126	(187)	0	(61)
Application of Capital Grants to finance Capital Expenditure	(22,944)	0	8,271	(14,673)
<b>Total Adjustments to Capital Resources</b>	<b>(22,818)</b>	<b>(187)</b>	<b>8,271</b>	<b>(14,734)</b>
<b>Total Adjustments</b>	<b>15,727</b>	<b>2,804</b>	<b>8,271</b>	<b>26,802</b>

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Table 14	General Fund Balance £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves £000
<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	12,442	0	0	12,442
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	2,216	0	0	2,216
Holiday Pay (transferred to the Accumulated Absences Reserve)	(800)	0	0	(800)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	41,838	0	0	41,838
<b>Total adjustments to Revenue Resources</b>	<b>55,696</b>	<b>0</b>	<b>0</b>	<b>55,696</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(539)	604	0	65
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(5,342)	0	0	(5,342)
Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account)	(206)	0	0	(206)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(6,087)</b>	<b>604</b>	<b>0</b>	<b>(5,483)</b>
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance Capital Expenditure	676	(564)	0	112
Application of Capital Grants to finance Capital Expenditure	(26,763)	0	3,579	(23,184)
<b>Total Adjustments to Capital Resources</b>	<b>(26,087)</b>	<b>(564)</b>	<b>3,579</b>	<b>(23,072)</b>
<b>Total Adjustments</b>	<b>23,522</b>	<b>40</b>	<b>3,579</b>	<b>27,141</b>

### (10) Movements in Usable Reserves:

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

### Movements in Earmarked Reserves

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

## Notes to the Core Financial Statements

	Balance at 1 April 2016 £000	Transfers in 2016/17 £000	Transfers out 2016/17 £000	Balance at 31 March 2017 £000	Transfers in 2017/18 £000	Transfers out 2017/18 £000	Balance at 31 March 2018 £000
<b>Earmarked Reserves</b>							
<b>Table 15</b>							
General Fund	5,322	0	(7)	5,315	0	(276)	5,039
Risk Fund	1,030	0	0	1,030	0	0	1,030
<b>Total General Reserve</b>	<b>6,352</b>	<b>0</b>	<b>(7)</b>	<b>6,345</b>	<b>0</b>	<b>(276)</b>	<b>6,069</b>
<b>Total Working Balances</b>	<b>2,780</b>	<b>1,967</b>	<b>(2,681)</b>	<b>2,066</b>	<b>3,495</b>	<b>(2,958)</b>	<b>2,603</b>
Schools Balances	4,535	5,486	(5,950)	4,071	3,706	(4,071)	3,706
Special Expenses	10	46	(45)	11	22	(32)	1
Self Insurance Fund	950	89	(331)	708	350	(136)	922
Long term commitment	921	26	(103)	844	47	(59)	832
Specific Earmarked Reserves	5,210	2,787	(3,271)	4,726	5,947	(5,537)	5,136
Waste Management Strategy	463	67	0	530	497	(267)	760
<b>Total Earmarked Reserves</b>	<b>12,089</b>	<b>8,501</b>	<b>(9,700)</b>	<b>10,890</b>	<b>10,569</b>	<b>(10,102)</b>	<b>11,357</b>
<b>Total General Fund</b>	<b>21,221</b>	<b>10,468</b>	<b>(12,388)</b>	<b>19,301</b>	<b>14,064</b>	<b>(13,336)</b>	<b>20,029</b>

## School Balances

School Balances 2017/18					
Table 16	Nursery £000	Primary £000	Secondary £000	Special £000	Totals £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)
<b>Net balance</b>	246	2,198	480	782	3,706

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

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

If schools under spend their delegated budgets during the year these are carried forward for use in future years. At 31 March 2018 schools held total balances of £3,706k (2016/17: £4,071k).

The £3,706k (2016/17:£4,071k) is an amalgamation of unspent and overspent balances, of which £4,336k is the unspent (surplus) and £(630)k is the overspent (deficit) (2016/17: £4,279k and £(208)k respectively). Ten schools closed with an overall deficit balance (2016/17: eleven).

From 2015/16 West Berkshire no longer operate a balance control mechanism, but the Schools' Forum may review the financial management at any school which has a surplus of greater than 10% of the actual funding received in year, in line with the 2016 Scheme for Financing Schools. Nine schools have a year-end surplus of greater than 10%.

**Special Expenses:** holds the balances for the closed church yards and Hungerford town footway lighting accounts. Precepts are raised to offset the costs of maintaining these services.

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

**Long Term Commitment:** these reserves are mainly to do with commuted sums given to the council from developers to maintain open spaces and playgrounds over a period of time. Also included are reserves for planning development and building maintenance.

**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 to the Core Financial Statements

### (11) Property, Plant and Equipment

**11a** The following table shows the current value of the council's fixed asset register including the movement in the fixed assets due to depreciation, revaluations, disposals, impairments and additions from the capital programme.

Movements in Property, Plant & Equipment										Assets
& Investment Properties 2017/18 Table 18	Land & Buildings £000	Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Investment properties Assets £000	Under construction Assets £000	Sub Total	held for sale £000	TOTAL £000
<b>Valued at Current value</b>										
Book Value @ start of year	310,277	28,234	224,728	13	0	7,412	0	570,664	3,209	573,873
Revaluations	(3,852)	0	0	0	0	0	0	(3,852)		(3,852)
Revaluation Investment Properties	0	0	0	0	0	3,794	0	3,794		3,794
Impairments	(7,851)	0	0	0	0	0	0	(7,851)		(7,851)
Reclassifications	(2,307)	0	0	0	758	(242)	0	(1,791)	1,791	0
Additions	6,176	2,553	9,592	5	16	15,059	111	33,512		33,512
Disposals	(553)	0	0	0	0	0	0	(553)	(2,500)	(3,053)
Book Value @ end of year	301,890	30,787	234,320	18	774	26,023	111	593,923	2,500	596,423
Depreciation @ start of year	(51,880)	(19,861)	(71,397)	0	0	0	0	(143,138)	0	(143,138)
Charged to services	(15,142)	(2,058)	(5,787)	0	(59)	0	0	(23,046)	0	(23,046)
On revalued assets	7,265	0	0	0	0	0	0	7,265	0	7,265
Depreciation on impaired assets	7,154	0	0	0	0	0	0	7,154	0	7,154
Depreciation on reclassified asset	518	0	0	0	(92)	0	0	426	(426)	0
On disposal	242	0	0	0	0	0	0	242	0	242
Balance @ end of year	(51,843)	(21,919)	(77,184)	0	(151)	0	0	(151,097)	(426)	(151,523)
<b>Net Book Value @ 31/03/18</b>	<b>250,047</b>	<b>8,868</b>	<b>157,136</b>	<b>18</b>	<b>623</b>	<b>26,023</b>	<b>111</b>	<b>442,826</b>	<b>2,074</b>	<b>444,900</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>7,412</b>	<b>0</b>	<b>427,526</b>	<b>3,209</b>	<b>430,735</b>
<b>Revaluation reserve</b>										
Opening	(95,838)	0	0	(7)	0	(1,123)		(96,968)	(2,046)	(99,014)
Movement	2,152	0	0	0	(342)	3		1,813	810	2,623
Closing	(93,686)	0	0	(7)	(342)	(1,120)	0	(95,155)	(1,236)	(96,391)

**Note**

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

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

## Notes to the Core Financial Statements

Movements in Property, Plant & Equipment & Investment Properties			Investment properties			Assets held		
2016/17	Land & Buildings	Plant & Equipment	Infrastructure Assets	Community Assets	Investment properties Assets	Sub Total	for sale	TOTAL
Table 19	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valued at Current value</b>								
Book Value @ start of year	307,214	25,314	207,440	13	7,590	547,571	3,218	550,789
Revaluations	10,551	0	0	0	0	10,551	0	10,551
Revaluation Investment Properties	0	0	0	0	(214)	(214)	0	(214)
Impairments	(3,841)	0	0	0	0	(3,841)	0	(3,841)
Reclassifications	(9)	0	0	0	9	0	0	0
Additions	5,871	2,920	17,288	0	27	26,106	0	26,106
Disposals re transfer to Academies	(9,454)	0	0	0	0	(9,454)	0	(9,454)
Disposals	(55)	0	0	0	0	(55)	(9)	(64)
Book Value @ end of year	310,277	28,234	224,728	13	7,412	570,664	3,209	573,873
Depreciation @ start of year	(37,416)	(16,972)	(64,715)	0	0	(119,103)	0	(119,103)
Charged to services	(17,416)	(2,889)	(6,682)	0	0	(26,987)	0	(26,987)
On revalued assets	666	0	0	0	0	666	0	666
Depreciation on impaired assets	839	0	0	0	0	839	0	839
Disposals re transfer to Academies	1,447	0	0	0	0	1,447	0	1,447
On disposal	0	0	0	0	0	0	0	0
Balance @ end of year	(51,880)	(19,861)	(71,397)	0	0	(143,138)	0	(143,138)
<b>Net Book Value @ 31/03/17</b>	<b>258,397</b>	<b>8,373</b>	<b>153,331</b>	<b>13</b>	<b>7,412</b>	<b>427,526</b>	<b>3,209</b>	<b>430,735</b>
<b>Net Book Value @ 31/03/16</b>	<b>269,798</b>	<b>8,342</b>	<b>142,725</b>	<b>13</b>	<b>7,590</b>	<b>428,468</b>	<b>3,218</b>	<b>431,686</b>
<b>Revaluation reserve</b>								
Opening	(92,482)	0	0	(16)	(1,123)	(93,621)	(2,046)	(95,667)
Movement	(3,356)	0	0	9	0	(3,347)	0	(3,347)
Closing	(95,838)	0	0	(7)	(1,123)	(96,968)	(2,046)	(99,014)

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.

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

Assets held for sale are those assets the council is actively trying to sell. This council has nine assets held for sale which are:

- the former Newbury Day centre land (expecting to sell in 2018/19).
- The Bus Station,
- The bus station toilets
- Six temporary accomodation properties.

All the assets held for sale, other than the Newbury Day Centre are to do with the redevelopment of Newbury town centre. The Bus station is being relocated to the Wharf.

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) that belongs to this council, is capitalised in the Balance Sheet. All PPE are included in the Balance Sheet at their fair value except for investment property (held

solely to generate rental income or capital appreciation) which is held at market value. Infrastructure assets and community assets are included at depreciated historical cost.

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

**11b** Capital Assets: During the year a proportion of the Assets were revalued in line with the five year rolling programme. The one Foundation School in the district is not included in the council's asset register but the council is required to disclose the valuation. The 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.

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

### **(12) Capital Expenditure:**

The total capital expenditure for the year was £38,038k (2016/17: £31,035k).

**12a** Where ever possible the council aims to fund any necessary capital investment from external sources of funding i.e. grants, developers contributions and capital receipts. The level of investment required over and above the level of external funding available must then be weighed up against the revenue cost of repaying loans to fund capital expenditure from external sources. In establishing its Prudential framework, the council determined that it could support a capital programme of £11,898k (2016/17: £10,542k).

## 12b Capital Expenditure Financing

2016/17 £000	Capital Expenditure Financing Table 20	2017/18 £000
172,580	<b>Opening Capital Financing Requirement</b>	175,794
	<b>Capital Investment</b>	
26,106	Property, Plant and Equipment	18,526
0	Investment Properties	14,892
0	Assets under construction	93
4,929	Revenue Expenditure Funded from capital under statute	4,527
	<b>Sources of Finance</b>	
0	Capital receipts	0
(17,990)	Government Grants	(14,358)
0	Other Grants	(328)
(206)	Revenue funding	(155)
(424)	Other internal balances and funds	0
(3,859)	Developers/other contributions	(1,148)
(5,342)	<b>MRP/Loans Principal Repaid</b>	(5,798)
<b>175,794</b>	<b>Closing Capital Financing Requirement</b>	<b>192,045</b>
	<b>Explanation of Movements in Year</b>	
0	Increase in underlying need to borrowing (supported by government financial assistance)	0
3,214	Increase in underlying need to borrowing (unsupported by government financial assistance)	16,251
0	Assets acquired under finance leases	0
0	Assets acquired under PFI/PPP contracts	0
<b>3,214</b>	<b>Increase/ (decrease) in capital financing requirement</b>	<b>16,251</b>

## 12c Accounting Treatment of Borrowing Costs

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

## 12d Capital Grants, Contributions and Receipts

The council is required to split capital grants and contributions into those which have been used to finance Capital expenditure, and those which are still unapplied. The following table shows the amounts which were unapplied at the start of the year, how much has been used during the year and the amount left unapplied at the end of the year.

## Notes to the Core Financial Statements

Capital Grants and Contributions	Opening Balance 31/03/17 £000	New Capital Grants and Contributions Received £000	Capital Grants repaid to funding body & Contributions Written off £000	Grants and Contributions paid to other bodies or used to fund revenue £000	Amount applied to fund Capital Expenditure £000	Closing Balance 31/03/18 £000
<b>Table 21</b>						
Section 106, CIL & Other Contributions	(16,862)	(7,397)	11	1,375	1,636	(21,237)
Capital Grants (not including grants with conditions)	(12,315)	(18,472)	0	403	14,272	(16,112)
<b>Total Grants &amp; Contributions</b>	<b>(29,177)</b>	<b>(25,869)</b>	<b>11</b>	<b>1,778</b>	<b>15,908</b>	<b>(37,349)</b>
<b>Capital Grants with Conditions</b>	<b>(2,355)</b>	<b>(4,165)</b>	<b>0</b>	<b>0</b>	<b>1,492</b>	<b>(5,028)</b>

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

In addition the council received capital receipts of £2,847k in 2017/18 (£532k in 2016/17). No capital receipts were used to fund capital expenditure in 2017/18, but £126k was set against the cost of disposal of assets and £61k was used to fund the cost of transforming services under the flexibility over use of capital receipts announced by HM Treasury in December 2015. This leaves a balance of £2,869k useable capital receipts as at 31 March 2018 and total capital reserves of £40.317m.

### (13) Heritage Assets

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

### 13a The Berkshire Record Office (archives of the Royal County of Berkshire)

In 1998, Berkshire County Council was abolished and succeeded by six unitary authorities. Under the terms of the Order dissolving the county council and creating unitary authorities in Berkshire, the Record Office remained a county-wide service, with West Berkshire Council acting as the archive council whilst due to the location of the Record Office location, Reading Borough Council was deemed, under a service level agreement, the host council. All six authorities entered into a joint agreement for the funding and management of the service; the current agreement runs until 31 March 2028.

The Berkshire Record Office holds archives representing 900 years of the Royal County of Berkshire's history, including records of county, district, unitary authority and parish councils, the church, magistrates' courts, schools, charities, businesses, local voluntary associations, families and individuals. Records are available for study in the Record Office search room for administrative, legal, educational and recreational purposes, and any interested member of the public is welcome to register as a reader.

The Record Office continues to acquire documents that contribute to our knowledge of the county's past. Recent acquisitions include the records of Brimpton Parish Council, Newbury and Thatcham Hockey Club, and historic deeds for the Camp Hopson department store. Altogether over 200 new accessions, amounting to around 600 boxes, were added to the collections in 2017/18. Recent projects have included the conservation of the Reading Prison archive (generously funded by The Wellcome Trust) and a public exhibition about the Royal Merchant Navy School, Bearwood, called 'Orphans of the Sea' (generously funded by the Royal Merchant Navy Education Foundation). Members of staff also regularly give talks to

local organisations about the work of the Record Office, and are happy to arrange visits for local groups.

### 13b West Berkshire Museum Collections

There has been a public museum in Newbury since 1843 but the current museum and its collections were established in 1904 when the Cloth Hall had been refurbished in memory of Queen Victoria. The museum underwent a £2.2m refurbishment funded by the Heritage Lottery Fund (£1.2M), the council, the Greenham Common Trust and local donations and was re-opened in autumn 2014.

The majority of the collections are of local or regional significance but there are some items of national significance such as the Bronze Age material within archaeology; Civil War material within archaeology; Egyptology from the Earl of Carnarvon; some of the local history material, particularly the Kennet & Avon Canal material; the world collections material is also of national significance because it was assembled by Harold Peake, one of the Museum's first curators, to illustrate his theory of comparative archaeology.

The collections of international significance include: Mesolithic material in archaeology and material relating to the Greenham Common peace camps. The Museum is supported by 51 volunteers who have given over 2850 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 2017/18 the museum welcomed 25,881 visitors (3,000 more than the previous year). The Museum's education programme worked with over 50,900 people of all ages at the Museum, in schools and at Shaw House.

### (14) Investment Properties

#### 14a Rental income from Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2016/17 £000	Surpluses / deficits on Investment Properties Table 22	2017/18 £000
(405)	Rental income from Investment Properties	(459)
257	(Upward) / downward revaluations	(3,960)
8	Direct operating expenses arising from investment properties	12
<u>(140)</u>	<b>Net Income</b>	<u>(4,407)</u>

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct, develop, maintain, repair or enhance investment properties.

#### 14b Investment Properties Fair Value

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

2016/17 £000	Investment Properties Table 23	2017/18 £000
7,590	Balance at start of year	7,412
27	Additions	15,059
0	Other changes	0
(214)	Net gains/losses from fair value adjustments	3,794
9	To/(from) Property, Plant & Equipment	(242)
0	Other changes	0
(205)	Total other changes	3,552
7,412	Balance at end of year	26,023

#### 14c Valuation Process for Investment Properties

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

#### (15) Financial Instruments

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

## 15a Financial Instrument balances

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

Financial Instrument Balances Table 24	Long Term		Short Term	
	31/03/17 £000	31/03/18 £000	31/03/17 £000	31/03/18 £000
<b>Cash and Investments</b>				
Loans and receivables	0	0	6,500	18,000
Available-for-sale financial assets	0	0	0	0
Unquoted equity under available for sale	0	0	0	0
Cash and cash equivalents	0	0	3,475	6,194
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>9,975</b>	<b>24,194</b>
<b>Debtors</b>				
Financial assets carried at contract amount	0	0	14,098	15,528
<b>Borrowings</b>				
Financial Liabilities at amortised cost	142,042	167,960	18,407	6,026
Financial Liabilities at fair value through profit and loss	0	0	0	0
Cash and cash equivalents	0	0	0	0
Other Borrowing	0	0	0	0
<b>Total Borrowings</b>	<b>142,042</b>	<b>167,960</b>	<b>18,407</b>	<b>6,026</b>
<b>Creditors</b>				
Financial Liabilities carried at Contract	0	0	23,901	24,951

Notes:

Interest paid on long term borrowing was £5,107k (2016/17: £5,042k)

Interest paid on the credit arrangement within the PFI contract was £909k (2016/17: £944k)

Interest paid on short term borrowing was £6k (2016/17: £22k)

**Total interest paid £6,022k (2016/17: £6,008k)**

Interest earned on investment was £367k (2016/17: £291k)

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

31/03/17			31/03/18		
Carrying Amount	Fair Value	Fair value of liabilities and assets	Carrying Amount	Fair Value	
£000	£000	Table 25	£000	£000	

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

20,505	35,341	PWLB Maturity Loans	42,738	65,434
107,244	143,308	Other PWLB Loans > 1 Year	111,570	145,192
14,293	14,293	Other Long term Borrowing	13,652	13,652
18,407	18,407	Short term borrowing	6,026	6,026
<b>160,449</b>	<b>211,349</b>	<b>Total Financial Liabilities</b>	<b>173,986</b>	<b>230,304</b>

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

3,475	3,475	Cash and cash equivalents	6,194	6,194
6,500	6,500	Banks and building society deposits > 3 month:	18,000	18,000
<b>9,975</b>	<b>9,975</b>	<b>Total Financial assets</b>	<b>24,194</b>	<b>24,194</b>

Notes

**Short Term Borrowing**

Short term borrowing at 31 March 2018 consisted of £5.4m principal due to be repaid within one year on PWLB annuity loans (2016/17: £4.8m), plus £641k principal due to be repaid within one year on the credit arrangement within the PFI waste management contract (2016/17: £605k).

**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 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 2018 consists of cash and deposits in bank call accounts and money market funds

### (16) Nature and extent of risks arising from Financial Instruments

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

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

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

Credit Risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

#### 16a Investments

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

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## Notes to the Core Financial Statements

Investments Table 26 Counter party	Credit rating criteria met		Balances invested as at 31/03/18				
	When placed	On 31/03/18	< 1 mth	>1 mths <3	>3 mths <6	>6 mths <12	Total
	Yes/No	Yes/No	£000	£000	£000	£000	£000
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 32 cash and cash equivalents.

Investments Table 27 Counter party	Credit rating criteria met		Balances invested as at 31/03/17				
	When placed	On 31/03/17	< 1 mth	>1 mths <3	>3 mths <6	>6 mths <12	Total
	Yes/No	Yes/No	£000	£000	£000	£000	£000
Other Local Authorities	N/A	N/A	0	0	0	500	500
Building Societies	N/A	N/A	0	2,000	2,000	2,000	6,000
Call Accounts and Money Market Funds	Yes	Yes	296	0	0	0	296
<b>Total</b>			<b>296</b>	<b>2,000</b>	<b>2,000</b>	<b>2,500</b>	<b>6,796</b>

Note

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

### 16b Doubtful receivables

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

Balance 31/03/17 £000	Bad Debt Provision £000	Invoiced Receivables Doubtful Debt Provision Table 28	Bad Debt Provision %	Balance 31/03/18 £000	Bad Debt Provision £000
3,993	40	Current	60%	7,100	71
2,330	140	Over 30 days	13%	1,611	97
525	53	Over 60 days	2%	204	20
209	52	Over 90 days	3%	374	93
509	255	Between 120 to 365 days	10%	1,176	588
357	321	Between 1 and 2 years	5%	570	513
202	182	Between 2 and 3 years	2%	295	266
375	375	Earlier years	5%	606	606
<b>8,500</b>	<b>1,418</b>		<b>100%</b>	<b>11,936</b>	<b>2,254</b>

Deferred Payment Agreements of £1,122k (2016/17: £1,200k) are excluded from the above debt provision as they are secured on property

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

## 16c Liquidity Risk:

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

31/03/17 £000	Liquidity Risk Table 29	31/03/18 £000
<b>Loans outstanding</b>		
127,749	PWLB loans for more than one year	154,308
14,293	Other Long Term PFI Borrowing	13,652
18,407	Temporary Borrowing	6,026
<b>160,449</b>	<b>Total</b>	<b>173,986</b>
18,407	Less than 1 year	6,026
5,586	Between 1 & 2 years	6,152
16,797	Between 2 & 5 years	17,191
53,529	Between 5 & 15 years	55,509
66,130	More than 15 Years	89,108
<b>160,449</b>	<b>Total</b>	<b>173,986</b>

**16d Market Risk:** The council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The council's policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. During the Financial Year and at 31 March 2018, the council had no financial loan instruments with variable rates of interest.

## (17) Inventory and Work in Progress

**17a Inventory:** Goods and materials charged to revenue, which have not been used by the end of year, totaled £9.4k (2016/17: £15k). This stock is carried forward to be charged in the year it is used.

**17b Contractual commitments:** on major capital schemes at the 31 March 2018 were:

Estimated commitments at 31/03/17 £000	Capital commitments Table 30	Estimated £000	Contract payments		Estimated commitments at 31/03/18 £000
			prior to 01/04/17 £000	within 2017/18 £000	
74	Little Heath School	2,960	2,888	55	17
32	Spurcroft Primary School Expansion	2,550	2,518	32	0
4	John Rankin Junior School Extension	1,170	1,170	0	0
31	Purley Infants	640	609	31	0
0	ASD Primary Unit at Fir Tree School	671	0	654	17
0	The Castle School Secondary Expansion	725	0	162	563
1,500	Superfast Berkshire Phase 1	4,610	3,110	0	1,500
3,734	Superfast Berkshire phase 2 Lot 5	3,734	0	703	3,031
37	Superfast Berkshire phase 2 Lot 7	415	378	15	22
0	Superfast Berkshire phase 3 Lot 1	1,395	0	0	1,395
0	Superfast Berkshire phase 3 Lot 2	2,563	0	0	2,563
<u>5,412</u>		<u>21,433</u>	<u>10,673</u>	<u>1,652</u>	<u>9,108</u>

**(18) Debtors**

These represent income due within one year:

31/03/17 £000	Debtors Table 31	31/03/18 £000
3,373	Central Government	2,619
1,280	Local Government	1,094
210	NHS	(88)
56	Academy Schools	508
5,052	Collection Fund	5,180
1,811	Payments in Advance	2,241
12,552	Other Debtors	14,014
<u>24,334</u>	<b>Total Debtors</b>	<u>25,568</u>
<u>(2,269)</u>	<b>less provision</b>	<u>(4,590)</u>
<u>22,065</u>	<b>Total Debtors</b>	<u>20,978</u>
3	Local Government	2
0	NHS	156
13	Academy Schools	25
1,795	Other Payments in Advance	2,058
<u>1,811</u>	<b>Total Payments in Advance</b>	<u>2,241</u>

## (19) Cash and cash equivalents

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

31/03/17 £000	Cash & Cash Equivalents Table 32	31/03/18 £000
1,798	Cash held by the Authority	1,793
1,381	Bank current accounts	(1,344)
296	Short Term Deposits	5,745
<u>3,475</u>	<b>Total</b>	<u>6,194</u>

Bank current account figures for 31 March 2017 and 31 March 2018 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 2018 are in the Goldman Sachs Money Market Fund £2,944k (2016/17: £128k), HBOS Deposit Account £901k (2016/17: £112k) and Santander Deposit Account £1,901k (2016/17).

## (20) Creditors

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

31/03/17 £000	Creditors Table 33	31/03/18 £000
2,503	Central Government	3,952
469	Local Government	380
234	NHS	221
36	Academy Schools	107
1,160	Collection Fund	1,347
5,259	Receipts in Advance	8,867
23,162	Other creditors	24,243
<u>32,823</u>	<b>Total Creditors</b>	<u>39,117</u>
	<b>Receipts in Advance</b>	
1,686	Central Government	1,772
92	Local Government	499
438	NHS	7
17	Academy Schools	14
3,026	Other Receipts in Advance	6,575
<u>5,259</u>	<b>Total Receipts in Advance</b>	<u>8,867</u>

## (21) Provisions

Provisions Table 34	Balance 31/03/17 £000	Arising in Year £000	Payments in Year £000	Balance 31/03/18 £000
Crookham (extraction of minerals)	9	0	0	9
Provision for liabilities	144	20	(33)	131
<b>Total Provisions</b>	<b>153</b>	<b>20</b>	<b>(33)</b>	<b>140</b>

## (22) Usable Reserves

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

## (23) Unusable Reserves

31/03/17 £000	Unusable Reserves Table 35	31/03/18 £000
(3,506)	Accumulated Absences Account	(4,162)
99,014	Revaluation reserve	96,391
126,287	Capital Adjustment Account	127,980
(317,317)	Pension Reserve	(317,292)
(1,259)	Collection Fund	(3,994)
<b>(96,781)</b>	<b>Total Unusable Reserves</b>	<b>(101,077)</b>

**23a Accumulated Absence Account:** This account shows the differences that would arise on the General Fund Balance from accruing compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. The amounts will change year on year depending on how much leave employees still have to take.

**23b Revaluation Reserve:** This reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

## Notes to the Core Financial Statements

2016/17 £000	Revaluation Reserve Table 36	2017/18 £000
<b>95,667</b>	<b>Opening Balance</b>	<b>99,014</b>
13,262	Upward revaluations of assets	8,107
(2,044)	Impaired assets	(4,694)
<b>11,218</b>	<b>Surplus or (deficit) on revaluation of Fixed Assets</b>	<b>3,413</b>
298	Transfer between Reserves	0
(42)	Sold assets	(2,143)
(1,325)	Academy Schools removed	0
(6,802)	Depreciation in year	(3,893)
(7,871)		(6,036)
<b>99,014</b>	<b>Closing Balance</b>	<b>96,391</b>

**23c Capital Adjustment Account:** This account holds the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as 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.

2016/17 £000	Capital Adjustment Account Table 37	2017/18 £000
<b>134,530</b>	<b>Opening Balance</b>	<b>126,287</b>
(298)	Transfer between Reserves	0
18,570	External funding of new capital assets	14,374
5,342	Minimum Revenue Provision / Loans Principal	5,799
3,178	External funding of REFCUS	2,770
(4,929)	REFCUS Assets charged	(4,527)
(26,987)	Depreciation	(23,045)
6,802	Historic cost depreciation adjustment	3,893
(8,071)	Write out asset values on disposal	(2,812)
1,367	Revaluation reserve re sold assets	2,143
(3,003)	Impaired assets	(696)
(214)	Revaluations Investment Properties	3,794
<b>126,287</b>	<b>Closing Balance</b>	<b>127,980</b>

**23d Pension Reserve:** The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provision. Post-employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

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

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

2016/17 £000	Council Tax Adjustment Account Table 38	2017/18 £000
1,121	Opening Balance	177
(944)	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	1,001
<u>177</u>	Closing Balance	<u>1,178</u>

2016/17 £000	NNDR Adjustment Account Table 39	2017/18 £000
2,354	Opening Balance	1,082
(1,272)	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	1,733
<u>1,082</u>	Closing Balance	<u>2,815</u>

## Notes to the Core Financial Statements

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

2016/17 £000	Net Cashflow Table 40	2017/18 £000
7	General Fund (Surplus) / Deficit	276
	<b>Non Cash Transactions</b>	
30,567	Contribution to/(from) Reserves	51,525
	<b>Items on an accruals basis</b>	
9	(Increase)/Decrease in Stock	(6)
(4,462)	(Increase)/Decrease in Debtors	(1,087)
6,294	Increase/(Decrease) in Creditors	(6,438)
<u>32,415</u>	<b>Items classified outside Revenue Activities</b>	<u>44,270</u>
<u><b>32,415</b></u>	<b>Net cashflows from operating activities</b>	<u><b>44,270</b></u>

### (25) Cash flow Reconciliation to Balance Sheet

Cash flow reconciliation Table 41	31/03/17 £000	Movement £000	31/03/18 £000
Short Term Borrowing	(19,108)	13,082	(6,026)
Borrowings PWLB	(127,048)	(27,260)	(154,308)
PFI Liability	(14,293)	641	(13,652)
<b>Total</b>	<u><b>(160,449)</b></u>	<u><b>(13,537)</b></u>	<u><b>(173,986)</b></u>
Temporary Investments	<u>6,500</u>	<u>11,500</u>	<u>18,000</u>
Cash and cash equivalents	<u>3,475</u>	<u>2,719</u>	<u>6,194</u>

## (26) Trading operations

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

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

2016/17			Trading Operations	2017/18		
Expenditure £000	Income £000	(Surplus)/ Deficit £000	Table 42	Expenditure £000	Income £000	(Surplus)/ Deficit £000
1,582	(1,574)	8	External Trading Accounts	1,511	(1,422)	89
9,374	(9,751)	(377)	Internal Trading Accounts	8,875	(9,347)	(472)
<b>10,956</b>	<b>(11,325)</b>	<b>(369)</b>	<b>Net (surplus) / deficit</b>	<b>10,386</b>	<b>(10,769)</b>	<b>(383)</b>

## (27) Surpluses / Deficits on Trading Undertakings

Other Operating Expenditure Trading		
Table 43	2016/17 £000	2017/18 £000
<b>External Trading Accounts</b>		
Net Deficit on Trading Operations	8	89
Support Services charged to Trading Operations	51	89
Capital charges (depreciation, impairment)	419	500
ISA 19 Pension charges	35	97
Net deficit charged to Other Operating Expenditure	513	775
<b>Internal Trading Accounts</b>		
Net Surplus on Trading Operations	(377)	(472)
Support Services charged to Trading Operations	165	195
Capital charges (depreciation, impairment)	64	74
IS19 Pension charges	117	262
Net deficit charged to Other Operating Expenditure	(31)	59
<b>Net deficit</b>	<b>482</b>	<b>834</b>

## (28) Agency Services

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

Agency Services Table 44	2016/17 £000	2017/18 £000
Expenditure incurred in providing payroll services	5	6
Management fee payable	(5)	(6)
Net surplus arising on the agency arrangement	0	0

## (29) Pooled Budgets

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

2016/17 £000	Berkshire Community Equipment Service Table 45	2017/18 £000
<b>Funding provided to the pooled budget</b>		
(726)	West Berkshire	(778)
(4,876)	Berkshire clinical commissioning groups	(4,512)
(2,063)	Other unitary authorities	(2,278)
<b>(7,665)</b>	<b>Total income</b>	<b>(7,568)</b>
<b>Expenditure met from the pooled budget</b>		
726	West Berkshire	778
4,876	Berkshire clinical commissioning groups	4,512
2,063	Other unitary authorities	2,278
<b>7,665</b>	<b>Total expenditure</b>	<b>7,568</b>

## (30) Members' Allowances

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

2016/17 £000	Members' Allowances Table 46	2017/18 £000
517	Salaries	522
18	National Insurance	19
2	Training	0
15	Car Allowance	14
4	Members' Expenses	1
<b>556</b>		<b>556</b>

### (31) Officers' Remuneration

#### 31a Exit packages

The council terminated the contracts of a number of employees in 2017/18. These officers were from all areas in the council and were made redundant as part of the council's restructuring of its services.

Exit package banding Table 47	2016/17				2017/18			
	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	28	4	32	198	26	5	31	194
£20,000 - £39,999	11	0	11	288	1	1	2	65
£40,000 - £59,999	1	0	1	40	1	0	1	46
£60,000 - £79,999	1	0	1	67	0	0	0	0
	<u>41</u>	<u>4</u>	<u>45</u>	<u>593</u>	<u>28</u>	<u>6</u>	<u>34</u>	<u>305</u>
<b>SCHOOLS</b>								
Up to £19,999	14	9	23	142	41	4	45	223
£20,000 - £39,999	0	1	1	38	2	2	4	112
£40,000 - £59,999					1		1	46
	<u>14</u>	<u>10</u>	<u>24</u>	<u>180</u>	<u>44</u>	<u>6</u>	<u>50</u>	<u>381</u>

#### 31b Remuneration Benefits

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

BANDINGS	Remuneration Bandings Table 48	Schools				Council Staff				TOTALS			
		Number of employees		Left during year		Number of employees		Left during year		Number of employees		Left during year	
		2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
1	£50k-£54k	32	28	1	2	39	34	4	0	71	62	5	2
2	£55k-£59k	18	19	0	0	15	20	1	1	33	39	1	1
3	£60k-£64k	20	16	0	0	14	16	1	0	34	32	1	0
4	£65k-£69k	8	12	0	0	6	8	0	1	14	20	0	1
5	£70k-£74k	6	3	0	0	5	6	1	2	11	9	1	2
6	£75k-£79k	2	4	0	1	2	1	1	1	4	5	1	2
7	£80k-£84k	3	3	0	0	8	6	0	0	11	9	0	0
8	£85k-£89k	0	1	0	0	2	3	0	0	2	4	0	0
9	£90k-£94k	3	2	0	0	0	0	0	0	3	2	0	0
10	£95k-£99k	1	3	0	0	1	0	0	0	2	3	0	0
11	£100k-£104k	1	1	0	0	0	0	0	0	1	1	0	0
12	£105k-£109k	0	0	0	0	2	1	0	0	2	1	0	0
13	£110k-£115k	0	0	0	0	0	1	0	0	0	1	0	0
17	£130k-£134k	0	0	0	0	0	0	0	0	0	0	0	0
18	£135k-£139k	0	0	0	0	1	0	0	0	1	0	0	0
19	£140k-£145k	0	0	0	0	0	1	0	0	0	1	0	0
		<u>94</u>	<u>92</u>	<u>1</u>	<u>3</u>	<u>95</u>	<u>97</u>	<u>8</u>	<u>5</u>	<u>189</u>	<u>189</u>	<u>9</u>	<u>8</u>

## Notes to the Core Financial Statements

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

Executive Remuneration		Salary (including fees & allowances)	Benefits in Kind	Remuneration excluding pension contributions	Pension contributions	Remuneration including pension contributions
Table 49		£	£	£	£	£
<b>Chief Executive - Nick Carter</b>						
Resources	2017/18	141,101	0	141,101	25,995	167,096
	2016/17	139,753	0	139,753	23,447	163,200
<b>Corporate Directors</b>						
Environment	2017/18	110,537	0	110,537	20,349	130,886
	2016/17	109,482	0	109,482	18,354	127,836
Communities	2017/18	106,537	0	106,537	20,349	126,886
	2016/17	105,482	0	105,482	18,354	123,836
<b>Senior Council Personnel</b>						
Head of Education	2017/18	84,914	0	84,914	15,550	100,464
	2016/17	84,108	0	84,108	14,026	98,134
Head of Legal Services	2017/18	67,309	4,314	71,623	12,764	84,387
	2016/17	76,809	1,755	78,564	13,600	92,164
Head of Human Resources	2017/18	81,414	4,892	86,306	15,550	101,856
	2016/17	80,608	4,379	84,987	14,026	99,013
Head of Finance and Property	2017/18	81,414	2,697	84,111	15,550	99,661
	2016/17	80,608	3,442	84,050	14,026	98,076
<b>TOTAL</b>	<b>2017/18</b>	<b>673,226</b>	<b>11,903</b>	<b>685,129</b>	<b>126,106</b>	<b>811,235</b>
<b>TOTAL</b>	<b>2016/17</b>	<b>676,850</b>	<b>9,576</b>	<b>686,426</b>	<b>115,832</b>	<b>802,258</b>

### (32) External Auditor's Costs

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

2016/17 £000	Audit fees Table 50	2017/18 £000
97	Fees payable to KPMG with regard to external audit services	97
11	Fees payable to KPMG with regard to grants audit	11
<b>108</b>	<b>Total</b>	<b>108</b>

### (33) Disclosure of Deployment of Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG allocation is based on the number of pupils recorded in the previous October school census. An element of DSG is recouped by the Department to fund Academy schools in the council's area. DSG is

## Notes to the Core Financial Statements

ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2015.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis (mainly for children educated out of maintained school settings including special needs placements) and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/18 are as follows:

Deployment of Dedicated School Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
<b>Table 51 a</b>			
Final DSG for 2017/18 before Academy recoupment			123,513
Final Academy figure recouped for 2017/18			(32,627)
<b>Total DSG after Academy recoupment for 2017/18</b>			<b>90,886</b>
Less: Deficit brought forward from 2016/17			(345)
Less: Claw back of early years funding			(396)
Less: Carry forward to 2018/19 agreed in advance			0
<b>Total DSG Funds Available</b>			<b>90,145</b>
 <b>Agreed initial budgeted distribution in 2017/18</b>	<b>16,587</b>	<b>74,439</b>	<b>91,026</b>
<b>In year adjustments:</b>			
In year academy transfers	0	0	0
Final allocation of brought forward DSG from 2016/17	283	0	283
Adjustment for claw back of early years funding		(364)	(364)
Planned overspend in 2017/18 to be met in 2018/19	(490)	(310)	(800)
<b>Final budgeted distribution of DSG funds for 2017/18</b>	<b>16,380</b>	<b>73,765</b>	<b>90,145</b>
 Less Actual central expenditure	(16,132)		(16,132)
Less Actual ISB deployed to schools		(74,027)	(74,027)
Plus Local Authority contribution for 2017/18	0	0	0
<b>Carry forward of DSG funds to 2018/19</b>	<b>248</b>	<b>(262)</b>	<b>(14)</b>

## Notes to the Core Financial Statements

Details of the deployment of DSG receivable for 2016/17 are as follows:

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

(34) Grant income

34a The council credited the following grants to the Comprehensive Income and Expenditure Statement in 2017/18.

2016/17 £000	Grant Income Table 52	2017/18 £000
<b>Credited to taxation and non specific grant income</b>		
9,529	Revenue Support Grant	3,696
0	Adult Social Care Support Grant	503
3,992	New Homes Bonus	3,667
1,847	Education Services Grant	511
1,390	Transition Grant	1,372
85	BRR RSG - Other	0
71	High Needs Strategy	0
71	Community Safety Grant	71
127	Other	116
<b>17,112</b>	<b>Total Non Ring Fenced Government Grants</b>	<b>9,936</b>
4,778	Section 106 Contributions	7,397
21,914	Capital Grants	18,472
<b>26,692</b>		<b>25,869</b>
88,433	Dedicated Schools Grant	90,490
39,406	Housing Benefit Grant	37,136
11,079	Learning Support Council, Skills & Educ Funding Agencies	11,248
6,159	Public Health	6,012
2,312	Private Finance Initiative	2,312
	Improved Better Care Fund	704
408	Housing Benefit Administration	397
308	Troubled Families	273
444	Independent Living Fund	430
294	Unaccompanied Asylum Seekers	517
221	Youth Offending	148
103	Discretionary Housing Payments	176
130	Council Tax Admin & Support	119
	Education Grants (SEND)	226
866	Family Safeguard Innovation Prog project fund	262
	New Burdens	164
	Homelessness Grant	112
	Bus Service Operators Grant	137
965	Other Specific Government Grants	614
<b>151,127</b>	<b>Total</b>	<b>151,477</b>

- 34b** 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. The balances at the year-end are shown in the Balance Sheet as receipts in advance and will show in the Comprehensive Income and Expenditure Statement once the condition has been met. The balances at year-end are as follows:

Grants Receipts in Advance (capital grants)	2017/18
Table 53	£000

LEP (Local Enterprise Partnership)	(4,120)
DEFRA	(907)
<b>Total</b>	<b>(5,027)</b>

Grants Receipts in Advance (capital grants)	2016/17
Table 54	£000

LEP (Local Enterprise Partnership)	(1,320)
DEFRA	(1,035)
<b>Total</b>	<b>(2,355)</b>

Grants Receipts in Advance (revenue grants)	2017/18
Table 55	£000

Adult Skills Contracts	(82)
Adult and Community Learning	(98)
Discretionary Housing Payment	(48)
DSG	(331)
<b>Total</b>	<b>(559)</b>

Grants Receipts in Advance (revenue grants)	2016/17
Table 56	£000

Adult Skills Contracts	(82)
Adult and Community Learning	(56)
Discretionary Housing Payments	(112)
<b>Total</b>	<b>(250)</b>

## (35) Related Party Transactions

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

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

Transactions with Precepting Authorities, payments to the pension fund, levies to other bodies and Government departments are shown in the Collection Fund, notes to the Comprehensive Income and Expenditure Statement and the Cash Flow Statement. The list below represents the council's material expenditure over £100k with other related parties during the financial year.

2016/17 £000	Related Parties Table 57	2017/18 £000
242	Corn Exchange Theatre Trust	183
220	Vodafone Ltd	0
0	Francis Construction	789
1,443	Berkshire Healthcare	0
120	Volunteer Centre West Berkshire	118
	Gigaclear PLC	704
	Citizens Advice West Berkshire	186
417	John O'Gaunt School - Academy	0
306	Kennet School - Academy	305
253	Theale Green School - Academy	355
<u>3,001</u>	<b>Total</b>	<u>2,640</u>

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

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.

### (36) Leased Assets

#### Council as Lessor

The council has not entered into any finance leases as a lessor.

**Operating leases:** The council lets a number of properties on operating leases for the following purposes:

- Sporting and community facilities which are hired out to organisations such as parish councils and charities which help support the council's priorities
- Industrial and other commercial premises which help support the economic development of the area
- Other properties including farms and shared ownership dwellings.

31 March 2017				Table 58	31 March 2018			
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
52	445	0	103	Not later than 1 year	44	448	703	94
115	1,117	0	263	Between 1 and 5 years	93	1,100	2,210	227
149	4,690	0	695	Between 5 and 25 years	133	4,665	3,819	636
86	4,841	0	76	Over 25 years	87	4,706	0	65
<b>402</b>	<b>11,093</b>	<b>0</b>	<b>1,137</b>		<b>357</b>	<b>10,919</b>	<b>6,732</b>	<b>1,022</b>

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

The rental income credited to the income statement was £758 k (2016/17: £663k). This is higher than in 2016/17 because of rent from the new investment properties.

**Council as Lessee:** The council has not entered into any finance leases as a lessee.

**Operating leases:** The Council lets a number of properties on operating leases for the following purposes:

- Sporting and community facilities which are let to organisations such as parish councils and charities which help support the council's priorities,
- Industrial and other commercial premises which help support the economic development of the area,
- Commercial investment property acquired for the first time in 2017/18 in order to generate additional income to help fund council services,
- Other properties including farms and shared ownership dwellings.

31 March 2017		Table 59	31 March 2018	
Land & Buildings £000	Vehicles Plant & Equipment £000	Council as lessee Operating Leases	Land & Buildings £000	Vehicles Plant & Equipment £000
		Leases expiring:		
359	212	Not later than 1 year	352	126
918	155	Between 1 and 5 years	970	43
2,859	0	Between 5 and 25 years	2,657	0
5	0	Over 25 years	19	0
<b>4,141</b>	<b>367</b>		<b>3,998</b>	<b>169</b>

Being the minimum lease payments payable

The lessee charge to the Income and Expenditure Statement for both Land & Building and Vehicles, Plant & Equipment was £498k (2016/17: £712k) and £307k (2016/17: £435k) respectively. This is lower than in 2016/17 because the contact centre and Merchant House leases ended.

### (37) Private Finance Initiative – Integrated Waste Management Facility (IWMF) Padworth

The council entered into a PFI contract with Veolia ES West Berkshire Ltd in March 2008 for the provision of waste collection and disposal services.

- 37a** The contract included provision of an Integrated Waste Management Facility (IWMF), built on council owned land at Padworth Sidings. This £25.97m facility opened on 19 October 2011, and is recognised as both an asset and liability in the Balance Sheet. However, whilst capital repayments actually commenced from 1 April 2013 notional capital payments have been spread over the 21 years from the month of opening to the end of the PFI contract on 30 September 2032.

The future payment stream is estimated as follows:

Padworth PFI Payments		Table 60			
2016/17 £000	Due within	Repayment of Liability £000	Interest £000	Service Charges £000	Total 2017/18 £000
18,206	Repayment in year	605	909	16,967	18,481
	<u>Deferred liability</u>				
18,827	Within 1 year	642	872	16,757	18,271
77,137	2 to 5 years	2,982	3,074	69,983	76,039
106,812	6 to 10 years	4,873	2,697	98,601	106,171
119,750	11 to 15 years	5,796	1,017	100,388	107,201
11,352	16 to 20 years	0	0	0	0
<b>352,084</b>	Total of all payments	<b>14,898</b>	<b>8,569</b>	<b>302,695</b>	<b>326,162</b>

- 37b** These payments have been calculated to compensate Veolia for the fair value of the services provided, the capital expenditure incurred and interest payable. The capital asset movement

## Notes to the Core Financial Statements

recognised by WBC with and the associated outstanding PFI liability for capital expenditure incurred by Veolia is:

31/03/17 £000	Padworth PFI Asset movements & Liabilities	Table 61 31/03/18 £000
<b>Movement in asset value:</b>		
27,954	<b>Gross Book Value at start of year</b>	27,954
0	Additions	0
0	Revaluation	(2,963)
27,954	<b>Gross Book Value at year end</b>	24,991
(2,101)	<b>Depreciation at the start of year</b>	(2,801)
(700)	Depreciation	(695)
0	Revaluation	2,801
(2,801)	Depreciation at year-end	(695)
25,153	<b>Net Book Value at year end</b>	24,296
(15,468)	<b>Balance outstanding at the start of year</b>	(14,898)
570	Principal repayment in year	605
(14,898)	<b>Balance outstanding at year end</b>	(14,293)
(605)	Within 1 year	(641)
(14,293)	Deferred liability	(13,652)
(14,898)	<b>Balance outstanding at year end</b>	(14,293)

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

### (38) Retirement Benefits

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

As part of the terms and conditions of employment of its officers and other employees, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The council participates in the Local Government Pension Scheme (LGPS) administered by The Royal Borough of Windsor and Maidenhead for the Royal County of Berkshire Pension Fund. This is a defined benefit scheme, where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The LGPS is now a career average scheme for benefits built up from 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.

### **38a Transactions relating to post – employment Benefits**

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

## Notes to the Core Financial Statements

2016/17 £000	Local Government Pension Scheme Table 62	2017/18 £000
	<b>Comprehensive Income and Expenditure account</b>	
13,387	Current service cost	21,627
217	Past service cost, including curtailments	329
<u>13,604</u>	<b>Total Service Cost</b>	<u>21,956</u>
	<b>Financing and investment income and expenditure</b>	
16,354	Interest cost	15,551
<u>(7,927)</u>	Interest on scheme assets	<u>(7,116)</u>
<u>8,427</u>	<b>Total post employment benefit charged to the surplus or deficit on the provisions of services</b>	<u>8,435</u>
	<b>Other post employment benefit charged to the comprehensive income and expenditure statement</b>	
	<b>Remeasurement of the net defined benefit liability comprising:</b>	
<u>(25,318)</u>	Return on assets less interest	<u>(1,290)</u>
<u>(6,303)</u>	Actuarial (gains) and losses arising on change in demographic assumptions	0
107,899	Actuarial (gains) and losses arising on change in financial assumptions	<u>(17,961)</u>
<u>(4,514)</u>	Experienced loss / (gain) on defined benefit obligations	0
<u>(6,226)</u>	Other actuarial gains / (losses)	0
<u>(897)</u>	Liabilities assumed	0
140	Settlement prices...	0
159	Administrative expenses	<u>158</u>
<u>64,940</u>	<b>Total post employment benefit charged to the comprehensive income and expenditure statement</b>	<u>(19,093)</u>
<u>86,971</u>	<b>Net Charge / Net surplus to the Comprehensive Income and Expenditure Account</b>	<u>11,299</u>
	<b>Movement in Reserves Statement</b>	
<u>(86,971)</u>	Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits	<u>(11,299)</u>
9,589	Actual amount charged against the General Fund balance for pensions in the year	<u>11,324</u>
<u>(77,382)</u>	<b>Net liability arising from the defined benefit obligation</b>	<u>25</u>

The re-measurements on defined liabilities required by the revised IAS19 standard are a gain of £19,093k in 2017/18 (2016/17 they were a loss of £64,940k) and are included within the 'Other Comprehensive Income and Expenditure' line on the Comprehensive Income and Expenditure Statement.

## Notes to the Core Financial Statements

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Present value of Scheme Liabilities Table 63	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of Liabilities	(383,520)	(468,117)	(454,652)	(571,533)	(580,325)
Fair value of Scheme Assets	199,457	217,982	214,715	254,216	263,033
<b>Net liability arising from defined benefit obligation</b>	<b>(184,063)</b>	<b>(250,134)</b>	<b>(239,936)</b>	<b>(317,317)</b>	<b>(317,292)</b>
Experience loss/(gain) on defined benefit obligation	(16,523)	(238)	(361)	(4,514)	0
Return on scheme assets in excess of interest	(3,162)	9,654	(10,978)	25,317	1,290

2016/17 £000	Fair Value of Scheme Assets Table 64	2017/18 £000
214,715	<b>Opening fair value of scheme assets</b>	254,216
7,927	Interest income	7,116
25,317	Return on scheme assets (excluding the amount included in the net interest expense)	1,290
6,226	Other actuarial gains and (losses)	0
(157)	Administrative expenses	(158)
9,589	Contributions from employer	11,324
3,450	Contributions from employees into the scheme	3,636
(12,711)	Estimated benefits paid plus net transfers in	(14,391)
(140)	Settlement prices received and (paid)	0
<b>254,216</b>	<b>Closing balance</b>	<b>263,033</b>

Local Government Pension Scheme assets comprised:

31/03/17		Pension fund assets Table 65	31/03/18	
£000	%		£000	%
124,018	49%	Equities	126,073	48%
0	0%	Gilts	0	0%
37,891	15%	Other Bonds	39,504	15%
35,049	14%	Property	33,825	13%
26,668	10%	Cash	38,736	15%
		<b>Alternative assets</b>		
26,256	10%	Target Return	11,423	4%
4,214	2%	Commodities	4,650	2%
12,907	5%	Infrastructure	13,563	5%
(12,787)	-5%	Longevity Insurance	(4,741)	-2%
<b>254,216</b>	<b>100%</b>	<b>Total</b>	<b>263,033</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 being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2017.

2016/17 £000	Funded Liabilities Table 66	2017/18 £000
454,651	<b>Opening balance</b>	571,533
13,387	Current service cost	21,626
16,354	Interest cost	15,552
107,899	Actuarial (gains) and losses arising on changes in financial assumptions	(17,960)
(6,303)	Actuarial (gains) and losses arising on changes in demographic assumptions	0
3,450	Contributions from scheme participants	3,636
(4,514)	Actuarial (gains) and losses	0
(897)	Liabilities extinguished on settlements	0
(12,167)	Estimated benefits paid net of transfers in	(13,863)
217	Past service costs, including curtailments	329
(544)	Unfunded pension payments	(528)
<b>571,533</b>	<b>Closing balance</b>	<b>580,325</b>

The main assumptions used by the actuary are:

2016/17	Basis for Estimating Assets and Liabilities	Table 67	2017/18
<b>Mortality assumptions</b>			
<b>Longevity at 65 for current pensioners:</b>			
23.0	Men		23.1
25.0	Women		25.2
<b>Longevity at 65 for future pensioners:</b>			
25.2	Men		25.3
27.4	Women		27.5
3.6%	Rate of inflation (RPI)		3.3%
2.7%	Rate of inflation (CPI)		2.3%
4.2%	Rate of increase in Salaries		3.8%
2.7%	Rate of increase in Pensions		2.3%
2.8%	Rate of discounting scheme liabilities		2.6%

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

Impact On The Defined Benefit Obligation In The Scheme: Table 68 a 2017/18	WBC Pension scheme increase in assumption £'000	WBC Pension scheme decrease in assumption £'000
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)

## Notes to the Core Financial Statements

Impact On The Defined Benefit Obligation In The Scheme: Table 68 b 2016/17	WBC Pension scheme increase in assumption £'000	WBC Pension scheme decrease in assumption £'000
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Longevity (increase or decrease in 1 year)	(21,127)	20,349
Rate of increase in salaries (increase or decrease by 0.1%)	(1,455)	1,444
Rate of increase in pensions (increase or decrease by 0.1%)	(9,597)	9,403
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	10,829	(10,447)

### Impact on the 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 anticipated paying £10.5m (2016/17: £8.4m) in employer contributions to the scheme in 2017/18. The weighted average duration of the defined benefit obligation for the scheme members is 20 years, 2017/18 (20 years 2016/17).

In addition, the council is responsible for all early releases of benefit payments.

### 38b Teachers' Pension Scheme

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

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

The council paid employers' contributions of £5.9 m (2016/17: £6.1m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay.

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

### 38c NHS Pension Scheme

The NHS Pension Scheme is also accounted for as if it were a defined contributions scheme. The council paid employers' contributions of £4.1k (2016/17: £17.3k) to the NHS Pension Scheme.

### **(39) Contingent Liabilities**

The council was successful in defending the Judicial Review of a development agreement at the High Court. Since then the claimants have sought to appeal the High Court decision at the Court of Appeal. The permission was granted and the hearing is due autumn 2018. Detailed costs are not known at this time.

### **(40) Contingent Assets**

The council has no known Contingent Assets.

### **(41) Parish Council Precepts**

Parish councils are required to precept on the council, which in turn precepts on the collection fund. The total precept is £4,064k (2016/17: £3,865), of which -£4k (2016/17 - £24k) represents special expenses for the maintenance of closed church yards.

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## Collection Fund Income and Expenditure Account

### The Collection Fund Income and Expenditure Account

As a collection authority West Berkshire Council is responsible for the billing and recovery of council tax and non-domestic rates. The council has a statutory requirement to operate the Collection Fund as a separate account to the General Fund and as such, transactions are required to be shown separately from the provision of services by the District Council. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to precepting bodies and the Government of council tax and non-domestic rates.

Council Tax 2016/17 £000	Business Rates 2016/17 £000	Collection Fund Income & Expenditure Account		Council Tax 2017/18 £000	Business Rates 2017/18 £000
		Table 69	notes		
<b>Income</b>					
(99,946)	0	Council Tax Receivable	1	(105,642)	0
0	(87,590)	Business Rates Receivable	2	0	(87,793)
(463)	0	Government Grants		(488)	0
<b>(100,409)</b>	<b>(87,590)</b>	<b>Total Income</b>		<b>(106,130)</b>	<b>(87,793)</b>
<b>Expenditure</b>					
<b>Precepts &amp; Demands:</b>					
0	43,704	Central Government	4	0	42,706
86,142	42,830	West Berkshire Council		92,438	41,851
10,456	0	Thames Valley Police Authority		10,912	0
3,837	874	Royal Berkshire Fire Authority		4,004	854
<b>100,435</b>	<b>87,408</b>			<b>107,354</b>	<b>85,411</b>
(1,176)	(3,313)	Transfer to General Fund in respect of distribution of previous year's estimated deficit	5	(125)	(1,235)
<b>Charges to the Collection Fund</b>					
0	142	Transitional Relief Payment		0	2,096
0	259	Costs of collection		0	257
47	0	Increase (-) decrease in Bad Debt Provision	6	62	300
0	500	Increase (-) decrease in Provision for Appeals	7	0	4,500
<b>47</b>	<b>901</b>			<b>62</b>	<b>7,153</b>
<b>99,306</b>	<b>84,996</b>	<b>Total Expenditure</b>		<b>107,291</b>	<b>91,329</b>
<b>(1,103)</b>	<b>(2,594)</b>	<b>(Surplus)/Deficit for the year</b>		<b>1,161</b>	<b>3,536</b>
1,311	4,803	(Surplus)/deficit brought forward at 1st April		208	2,209
<b>208</b>	<b>2,209</b>	<b>(Surplus)/deficit carried forward at 31st March</b>		<b>1,369</b>	<b>5,745</b>

(1) Council Tax

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.

2016/17	Council Tax	2017/18	
£000	Table 70	£000	£000
115,257	Opening Debit	121,314	
0		0	
115,257			121,314
(1,639)	Exemptions	(1,787)	
(7,200)	Discounts	(7,787)	
(103)	Disabled relief	(100)	
(6,369)	Council Tax Support	(5,998)	
(15,311)			(15,672)
99,946	Net Closing Debit		105,642

(2) National Non-Domestic Rates

From 1st April 1994 until 31st March 2012 each council received its Non-Domestic Rates (NDR) income direct from the central pool rather than passing it through the Collection Fund. From 1st April 2013 following the introduction of the new Business Rates Retention Scheme 49% of business rates collected by the council are now retained with the remainder being shared between Central Government (50%) and the Royal Berkshire Fire and Rescue Authority (1%). The aim of the scheme is to give councils greater incentive to grow the businesses in their area and allows West Berkshire Council to retain its proportionate share of the business rates growth. It does, however increase the volatility of the income received from NDR due to the risks of non-payment and volatility in the tax base.

2016/17	National Non-Domestic Rates	2017/18	
£000	Table 71	£000	£000
93,326	Opening Debit	95,538	
93,326			95,538
(2,591)	Less empty and revalued properties	(3,263)	
0	New funded relief	0	
142	Transitional relief	2,096	
(5,025)	Mandatory relief	(6,415)	
(162)	Discretionary relief	(663)	
1,900	RV List amendments	500	
			(7,745)
87,590	Net Business Rates Receivable		87,793

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

## Notes to the Collection Fund

### (3) Government Grants

The following grants have been credited to the Collection Fund

2016/17 £000	Grants credited to Collection Fund Table 72	2017/18 £000
<u>(463)</u>	Ministry of Defence Properties	<u>(488)</u>

### (4) Precepts & Demands

Under council tax, parishes are required to precept on the district who in turn precept on the Collection Fund, whilst Thames Valley Police and Royal Berkshire Fire and Rescue Service precept directly on the Collection Fund. Under the new Business Rates Retention Scheme West Berkshire, Central Government and Royal Berkshire Fire Authority all precept directly on the Collection Fund.

### (5) Transfer to the General Fund

In January the council is required to prepare an estimate of its surplus or deficit which is expected to arise at the end of the financial year. This estimate is then shared between the council and the precepting bodies in the following year. In January 2017 it was estimated that the Collection Fund would have a Business Rates deficit of £1,235 and a council tax deficit of £125. The following amounts were therefore due to/from preceptors:

Council Tax 2016/17 £000	Business Rates 2016/17 £000	Contributions to Collection Fund Surplus and Deficit Table 73	Council Tax 2017/18 £000	Business Rates 2017/18 £000
1,006	1,657	West Berkshire Council	107	618
0	1,623	Central Government	0	605
46	0	Thames Valley Police	5	0
124	33	Royal Berkshire Fire and Rescue Authority	13	12
<u>1,176</u>	<u>3,313</u>		<u>125</u>	<u>1,235</u>

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

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

2016/17 £000	Provision for non payment of Council Tax Table 74	2017/18 £000
150	Opening Balance	160
47	Transfer from/to Income and Expenditure Account	62
(47)	Write offs in the year	(62)
<u>150</u>	Closing Balance	<u>160</u>

2016/17 £000	Provision for non payment of NNDR Table 75	2017/18 £000
544	Opening Balance	196
0	Change to the Provision	300
(347)	Write offs in the year	(157)
<u>197</u>	Closing Balance	<u>339</u>

(7) Provision for Appeals

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

2016/17 £000	Business Rate Appeals Table 76	2017/18 £000
1,900	Opening balance	500
500	Transfer from Income & Expenditure Account	4,500
(1,900)	Write off in the year	(500)
<u>500</u>	Closing Balance	<u>4,500</u>

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

### Glossary

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

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

**Actuary** - A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep it solvent.

**Amortised cost** – Most financial instruments (whether borrowing or investment) are valued in 2014/15 on an amortised costs basis using the effective interest rate (EIR) method.

**Audit Commission** - The independent public body responsible for ensuring that public money is spent economically, efficiently, and effectively in the areas of local government, housing, health, criminal justice, and fire and rescue services.

**Best value** - Delivering economy, efficiency and effectiveness to secure continuous service improvement – 'providing the quality services you want at a price you are willing to pay'.

**Book value** - The value of a fixed asset, such as a building or machine, as recorded in an organisation's books. It is the lower of the depreciated cost and the recoverable amount. The recoverable amount is the higher of the value in use and the net realisable amount.

**Capital Adjustment Account** - An account that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

**Capital expenditure** - Expenditure on the acquisition or creation of a fixed asset or expenditure that adds to and does not merely maintain the value of an existing fixed asset.

**Capital programme** - A list of capital projects approved to start in a specified financial year.

**Capital receipt** - Proceeds from the sale of capital assets (e.g. land, buildings and equipment).

**Capitalisation** - Treatment of expenditure as capital rather than as revenue (see also capital expenditure).

**CIPFA** - Chartered Institute of Public Finance and Accountancy

**Collection fund** - An account maintained by a district council recording the amounts collected in council tax.

**Community asset** - An asset that the council intends to hold forever, that has no determinable useful life, and that may have restrictions on its disposal. Examples of community assets are parks and historic buildings.

**Contingency provision** - A sum included usually as a central provision within the budget to meet expenditure where timing and scale are uncertain.

**Contingent liabilities** - A potential liability that is uncertain because it depends on the outcome of a future event.

**Contracts Rules of Procedure** – These rules apply in every case where the council enters into an agreement with another party for the supply of goods, materials or services to, or the execution of work for, the council.

**Corporate and Democratic Core** - Has two elements: the costs of corporate management are the infrastructure overheads which allow services to be provided and information required for public accountability and the democratic representation costs relating to all aspects of members' activities.

**Council tax** - A domestic property tax based on capital values with a personal element (a 25% discount for single-adult households). Each property is allocated to one of eight tax bands according to its capital value.

**Creditor** - An individual or body to which the council owes money at the balance sheet date.

**Current asset** - An asset that is realisable or disposable within less than one year without disruption to services.

**Current liability** - A liability that is due to be settled within one year.

**Debtor** - An individual or body that owes money to the council at the balance sheet date.

**Dedicated Schools Grant (DSG)** - A Government grant that can only be used to fund expenditure within the schools' budget.

**Deferred contributions and Government grant accounts** - Accounts that reflect the value of fixed assets in the Balance Sheet that are financed by specific Government grants or external contributions.

**Defined benefit pension scheme** - A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and final salary.

**Deposit** - Receipt held that is repayable in prescribed circumstances.

**Depreciated replacement cost** - Relating to fixed assets, the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property.

**Depreciation** - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

**Developers' contribution** - If a development derives special benefit from highway works, developers can be required to contribute towards the costs. They arise mainly as a result of agreements under section 278 of the Highways Act 1980.

**Discretionary increase in pension payments** - This increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

**Dividends** - Income to the Pension Fund on its holdings of UK and overseas shares.

**Earmarked reserve** - See Reserve.

**Fair value** - The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

**Finance lease** - Under this type of lease, the risks and rewards of ownership of the leased goods transfer to the lessee (the organisation paying the lease).

**Financial instruments** - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

**Financial Reporting Standard (FRS)** - Accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts.

**Financial Rules of Procedure** - Outlines how West Berkshire should transact business

**Fixed asset** - An asset that yields benefits to the local 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-to-day services. It is distinct from capital expenditure on projects that benefit the council over a period of more than one financial year.

**Revenue Support Grant (RSG)** - Government financial support that does not have to be spent on a particular service. It is based on the Government's assessment of the council's spending need, its receipt from national business rates and its ability to generate income from the council tax.

**RICS Red Book** - Contains the valuation standards, mandatory rules, best practice guidance and related commentary for all RICS members undertaking asset valuations.

**Scheme for Financing Schools** – Sets out the financial relationship between the Authority and the maintained schools which it funds.

**Service Reporting Code of Practice for Local Authorities (SeRCOP)** - The code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities; was formally known as the Best Value Accounting Code of Practice (BVACOP).

**Short-term investments** - An investment that is readily realisable.

**SOLACE** – Society of Local Authority Chief Executives

**Specific grants** - Central Government grants to finance a particular service.

**Stocks** - Goods that are acquired in advance of their use in providing services or their resale.

**Straight-line basis** - Dividing a sum equally between several years.

**Useful life** - Period over which the council will benefit from the use of a fixed asset.

**Work in progress** - A product or service that is incomplete at the end of the year and is due to be recharged to an external body.

**Write-off** - Elimination of an asset or liability over a defined period, usually by means of charging or crediting the revenue account.