

Title of Report:	Annual Statement of Accounts 2005/06	Item 4
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:		

Corporate Plan Priority:	This item supports all Corporate Priorities
The proposals contained in this report will help to achieve the above Corporate Plan priority by:	
<ul style="list-style-type: none">• Informing the Council of the overall financial resources utilised in the delivery of its services	

Purpose of Report:	To see Members approval of the Statement of Accounts for the 2005/06 financial year
Recommended Action:	To approve the Statement of Accounts for 2005/06
Reason for decision to be taken:	The Statement of Accounts require approval by the Council or a designated Committee under the Accounts and Audit Regulations 2003o
List of other options considered:	None.
Key background documentation:	Working papers held by Accountancy

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1 Introduction

- 1.1 Local Authorities have a responsibility to prepare a Statement of Accounts which presents fairly its financial position at a given date. The Statement of Accounts attached to this report have been prepared in compliance with the Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the statutory framework established by the Accounts and Audit Regulations 2003.

2 Statement of Accounts

- 2.1 The Council's financial year ends on 31st March and the accompanying Statements are a presentation of the Council's accounts as at 31st March 2006.
- 2.2 The Introduction to the accounts gives an overview of the principal issues during 2005/06 and also outlines the purpose of the main statements contained within them. The Statement of Internal Control features elsewhere on the Governance and Audit Committee's agenda and will, once approved by the meeting be incorporated into the main Statement of Accounts.
- 2.3 The SORP prescribes the format and content of the accounts in order to be compliant with the legislative requirements. It also defines the notes required to support each of the main accounts to aid in the understanding of their content for the reader. Where necessary additional information is included to further aid this understanding at a local level.

3 Timetable

- 3.1 The Statements must be presented to and approved by an appropriate Committee of the Council by 30th June 2006. This requirement has been moved back from 30th September over the last 3 years and is the earliest date by which the authority's accounts have been closed. The move by the Government to bring the reporting date back to the end of June is in line with its intentions to have all public sector accounts completed within the same time frame.
- 3.2 The key stages in the approval of the Statements are;
- 29th June 2006 – Approval of Statement of Accounts by the Governance and Audit Committee
 - 4th July 2006 – Statements reported to Corporate Board
 - 15th July 2006 – Statement of Accounts reported to Executive
 - 17th July 2006 – Statement of Accounts on deposit and open to Public inspection
 - Audit Commission commence inspection of Accounts
 - 14th August 2006 – Public may make objections to the accounts to the Audit Commission
 - 26th September 2006 – Statement of Accounts reported to Council
 - 30th September 2006 – Audit Commission provide Audit Opinion on the Statement of Accounts
- 3.3 There are no post balance sheet events to report and it is anticipated that the Audit Opinion will be received by 30th September. Any material changes to the accounts will be reported back to Members should the need arise.

Appendices

Appendix A – Statement of Accounts 2005/06

Implications

Policy: None

Financial: As detailed – The Statements of Account provide a view of the Councils financial position at a given point in time

Personnel: None

Legal: None

Property: None

Risk Management: None

Statement of Accounts

2005/06

West Berkshire Council

Contents

	PAGE
Explanatory Foreword	5
▪ Introduction	5
▪ Review of 2004/05	5
▪ The statements	6
▪ Revenue Expenditure	7
▪ Capital Expenditure	8
Auditors' Report	10
Statement of Responsibilities	11
General Fund Budget	12
Statement of Accounting Policies	13
▪ Employee costs	13
▪ Pension costs	13
▪ Accruals of income & expenditure	14
▪ Stock	14
▪ Cost of support services	14
▪ Interest	14
▪ Income, debtors & bad debts	14
▪ Investment	15
▪ Provisions & reserves	15
▪ Fixed assets	15
▪ Depreciation	15
▪ Charges to revenue	16
▪ Capital financing	16
▪ Deferred capital receipts	16
▪ Capital receipts	17
▪ Borrowing	17
▪ Reserves	17
▪ Trusts	17
▪ Grants	17
▪ Redemption of Debt	18
▪ VAT	18
▪ Leases	18
▪ Post balance sheet events	18
▪ Contingent liabilities	18
▪ Group Accounts	18
Statement of Internal Control	19

	PAGE
Consolidated Revenue Account and Notes	24
▪ Net cost of services	25
▪ Parish council precepts	25
▪ Asset management revenue account	25
▪ Miscellaneous adjustments	25
▪ Special expenses revenue account	25
▪ Prior year adjustment	26
▪ Transfer from the capital financing reserve	26
▪ Movement through reserves	26
▪ Transfer from the collection fund	27
▪ Trading operations	27
▪ Discretionary expenditure	27
▪ Publicity	28
▪ Disclosure of Remuneration	28
▪ Superannuation costs	28
▪ Retirement Benefits	29
▪ Related party transactions	30
▪ Auditors Fees	31
▪ Building control account	31
Collection Fund Income and Expenditure Account	33
▪ Council tax	34
▪ National non-domestic rates	34
▪ Government grants	35
▪ Precepts & demands	35
▪ Transfer to the general fund	35
▪ Provision for non payment of council tax	36
▪ Provision for non payment of NNDR	36
▪ Council tax base	36
Consolidated Balance Sheet and notes	38
▪ Fixed assets	39
▪ Analysis of movement in fixed assets	43
▪ Long term investments	44
▪ Long term debtors	44
▪ Stock	44
▪ Debtors	45
▪ Investments	45
▪ Creditors	46
▪ Short term borrowing	46
▪ Deferred Liability	46
▪ Provisions	47
▪ Government Grants Deferred	47
▪ Deferred credits	47
▪ Capital receipts unapplied	47
▪ Reserves & Balances	49
▪ Local Government Pension Scheme	51

	PAGE
▪ Contingent liabilities	52
▪ Post balance sheet events	52
▪ Long Term Liabilities	52
Statement of Total Movements in Reserves	53
▪ Movements in realised capital resources	54
▪ Movements in unrealised value of fixed assets	54
▪ Value of assets sold, disposed of or decommissioned	54
▪ Movements in amounts set aside to finance capital investments	55
▪ Movements in Reserves – FRS 17	56
Cash Flow Statement	57
▪ General fund deficit reconciliation to revenue activities	58
Net cash inflow	
▪ Reconciliation to consolidated balance sheet	58
▪ Other government grants	58

Explanatory Foreword

(1) Introduction

The Statement of Accounts for the Council summarises the transactions that have taken place during the year 1st April 2005 to 31st March 2006 and are intended to give an overall view of the Council's financial position. The statements have been produced to show all the financial statements and disclosure notes required by statute and comply with the Code of Practice on Local Authority Accounting in the United Kingdom – a Statement Of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The statements have also been prepared in accordance with the Accounts and Audit Regulations 2003.

(2) Review of 2005/06

2005/06 brought some significant changes for the Council. In May 2005 the political control of the council changed from Liberal Democrat to Conservative, the first time there has been political change since the beginning of the Unitary Council in 1998. In July 2005 the partnering contract with Amey came to an end after 3 years of operation involving the transfer of over 400 staff back to the councils employment.

2005/06 was also the final year for the council's first Public Service Agreement (PSA) which involved the achievement of 12 stretch targets set by agreement with the Government in 2003. The terms of the PSA were challenging on a number of the targets and the collation of data to support the council's achievements will progress into the summer of 2006. The Council is expecting to receive up to £1.6m and may based on final data submissions be successful in securing slightly more than this figure.

The new administration have worked hard to understand the councils financial position and achieved a Council Tax increase of only 2.9% for 2006/07 at the tax setting meeting in March. There has also been significant effort in the management accounting processes following the introduction of the new financial system Agresso in February 2005. Monthly reporting is now more timely and has greater input from the services themselves. The Statements reflect that a contribution to Balances of £280k has been achieved and that the new processes and reporting have contributed towards the achievement of this. In addition the Council's cash limit environment has moved on to its next stage which now incentivises budget holders by allowing underspends to be carried forward.

The achievements in the improvements to financial management within the Council are a reflection of the dedication of the finance staff and to the services for embracing the changes and working with them to maximise the benefits they bring.

(3) The Statements

The statements included in the accounts are explained below:

The statement of responsibilities for the Statement of Accounts identifies the officer who is responsible for the proper administration of the Authority's financial affairs, including the communication that the accounts present fairly the financial position of the Authority.

The Statement of Accounting Policies details the legislation and principles on which the Statement of Accounts has been prepared. An understanding of the principles used to prepare the accounts is necessary to comprehend the information contained in the Statement of accounts.

The Consolidated Revenue Account details the expenditure and income on all services of the Council, and how the net cost of these services has been financed by local taxpayers and Central Government grants.

The Collection Fund Revenue Account records the council tax and business rate transactions for the financial year. The Account also shows the distribution of the council tax income to Thames Valley Police Authority. There is a statutory requirement to maintain a Collection Fund and keep its activities separate from those of other Council Transactions.

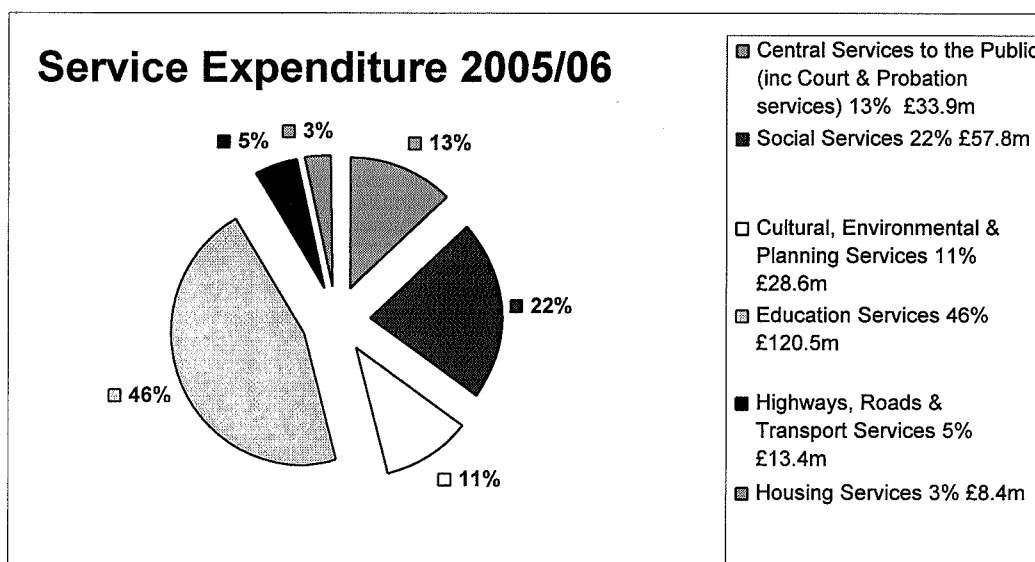
The Consolidated Balance Sheet sets out the financial position of the Council, detailing the assets, liabilities, balances and reserves held by the Council at 31st March 2005. The Collection Fund is included in the Consolidated Balance Sheet.

The Statement of Total Movements in Reserves details the movements on both Capital and Revenue reserves, bringing together all the recognised gains and losses of the Authority during 2004/05.

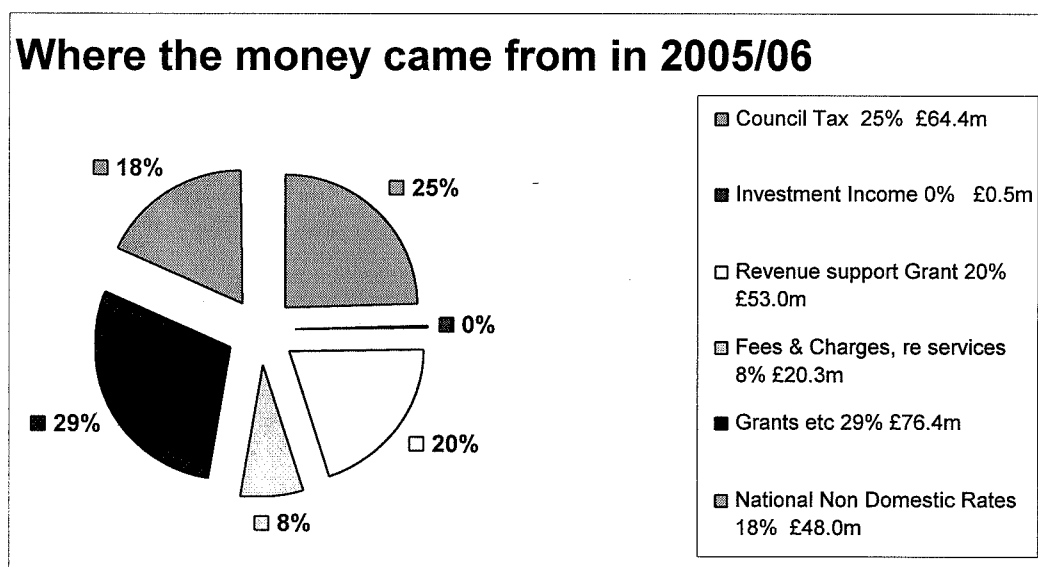
The Cash Flow Statement summarises the inflows and outflows of cash arising from revenue and capital transactions with third parties. The statement excludes internal movements of funds between the Council's accounts.

(4) Revenue Expenditure

The chart below shows the Council's £262.6m Gross Revenue Expenditure split over the different service areas, after an adjustment for capital charges.



This chart shows how the Council's Gross Revenue Expenditure of £262.6m was funded. The various sources are illustrated below.



Council tax £64.4m this is the money collected from local taxpayers in 2005/2006. (See note 2 of the Consolidated Revenue Account)

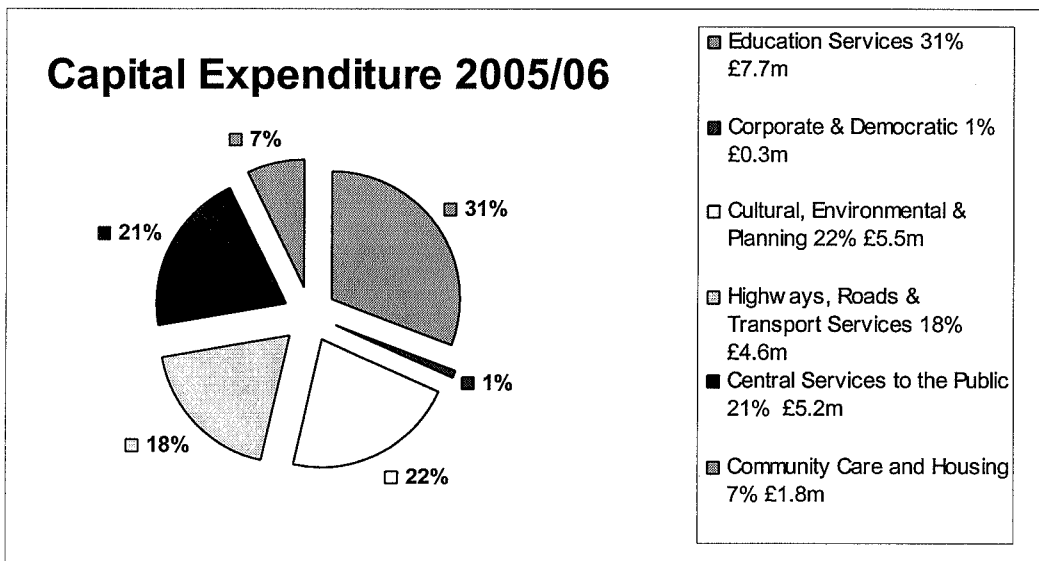
Investment Income £0.5m the Authority generates income from the investment of its surplus funds. This involves the temporary investment of cash with banks, building societies and other major financial institutions.

Revenue Support Grant £53.0m is the grant paid by Central Government in aid of local services.

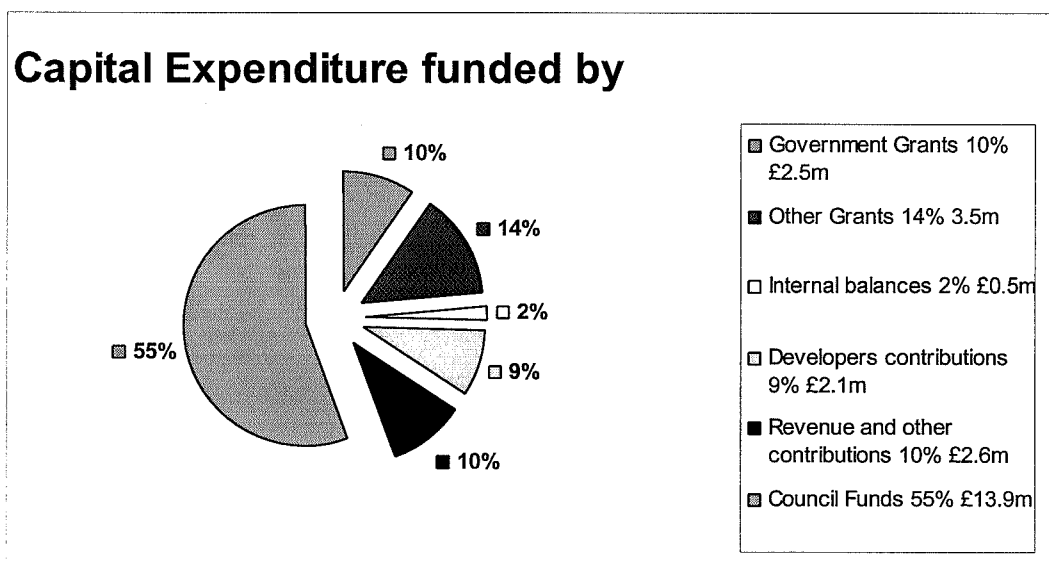
Fees & Charges, £20.3m some services provided by the Authority generates income through specific charges, eg Car Parks, Sport Centres and Planning Fees.
Grants etc, £76.4m Specific Grants are also received from Central Government and other sources to support the delivery of certain schemes / services.
Non Domestic Rates £48.0m this is the Authorities share, based on population of the national total collected in respect of all non-domestic properties.

(5) Capital Expenditure

The total capital expenditure in 2005/2006 was £25.1m. The chart below shows the expenditure split over the different Service areas.



This chart shows how the Council's gross Capital expenditure of £25.1m was funded. The various sources are illustrated below,



Government Grants £2.5m specific grants received from Central Government.

Other Grants £3.5m grants from sources other than Central Government to help fund specific capital schemes.

Internal Balances £0.5m use of internal funds set aside for capital.

Developers Contributions £2.1m funding as a result of section 106 planning agreements.

Revenue and other contributions £2.6m use of revenue funds to support the capital programme.

Council Funds £13.9m use of the Council's Funds.

Auditors report

Independent Auditor's Report to West Berkshire Council

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- ◆ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, for the purposes of this requirement for the 2005/06 financial year that officer is the Head of Resources and Commissioning.
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ to approve the Statement of Accounts.

The Head of Resources and Commissioning Responsibilities

The Head of Resources and Commissioning is responsible for the preparation of the authority's statement of accounts. This is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year (ended 31st March 2006).

In preparing this statement of accounts, the Head of Resources and Commissioning has: -

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the Code of Practice.

The Head of Resources and Commissioning has also:

- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

General Budget

The main components of the budget for 2005/06 and how these compare with actual income and expenditure are set out below.

This reflects the budget for precept setting purposes and excludes asset rentals. These are detailed elsewhere in the accounts.

	Original Budget £000	Revised Budget £000	Actual £000	Difference (Revised to Actual) £000
Net Expenditure on Services	162,531	162,528	163,048	520
Expenditure	162,531	162,528	163,048	520
Council Tax	(61,838)	(61,838)	(61,838)	0
Investment Income			(487)	(487)
Revenue Support Grant	(52,965)	(52,965)	(52,965)	0
National Non Domestic Rates	(48,039)	(48,039)	(48,039)	0
Transfer from Collection Fund	15	15	15	0
INCOME	(162,827)	(162,827)	(163,314)	(487)
NET EXPENDITURE	(296)	(299)	(266)	33
Prior Year Adjustments			(1,749)	(1,749)
Miscellaneous Adjustments			21	21
	(296)	(299)	(1,994)	(1,695)
Planned Contribution to Balances	(598)	(598)	(598)	0
Use of balances for Highways	0	0	1,200	1,200
Balance Brought Forward	(5,500)	(5,500)	(5,500)	0
Balance Carried Forward	(6,394)	(6,397)	(6,892)	(495)

Statement of Accounting Policies

The purpose of the Statement of Accounting Policies is to explain the accounting policies the Council has adopted to enable the closure of the accounts.

The Financial Statements for 2005/06 have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain, the Statements of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and where appropriate the Financial Reporting Standards (FRS).

There are no instances in the Statement of Accounts where the fundamental accounting concepts have not been followed.

(1) Employee Costs

The cost of salaries and wages has been included in the Accounts based on 12 months and 52 pay weeks. No accrual has been made in respect of pay-days falling outside of the current financial year. Except for payroll 4 (four weekly Homecare) and payroll 9 (supply teachers).

(2) Pension Costs

The Financial Reporting Standard (FRS) 17 "Retirement Benefits" represents the Employer's commitment to increase contributions to make up any shortfall in attributable assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

The Council has two different Pension schemes, the first being a funded scheme for non teaching employees who are eligible to join the Local Government Pension Scheme. 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 second is a separate scheme for teachers. This is an unfunded scheme administered by the Department for Education and Skills (DFES).

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

Entries to the Consolidated Revenue Account show the Current service cost, Past service cost, gains and losses on settlement and curtailments, the interest cost of the pensions and the expected return on assets.

The actuarial gains and losses are shown in the Statement of Total Movements in Reserves.

Cash payments to pension fund and any payments to pensioners are shown in the Cash Flow Statement.

The Balance Sheet includes two funds as a result of the FRS17:

- 1) the pensions asset / liability fund,
- 2) the pensions reserve.

(3) Accruals of Income and Expenditure

All revenue and capital income and expenditure relating to the financial year has been included in the accounts. This is in accordance with FRS18. Periodic costs such as gas and electricity are an exception to this. They are included in the accounts on a payments basis.

(4) Stocks

Stocks are shown in the Balance Sheet on a cost basis, which is in compliance with SSAP9, which recommends valuation at the lower of cost or net realisable value.

(5) Cost of Overheads

All overheads and support service costs have been charged to the revenue services in accordance with CIPFA guidance. The costs of Corporate Management and Democratic Representation have been separately identified and are not borne by the revenue services.

The Council is looking to develop its system for charging support service costs within its Accounts during 2006/07.

(6) Interest

Internal interest has been credited to certain Reserves at the year-end based on the average level of balances during the year. The balance of the interest received (after the amount credited to reserves) has been credited to the general fund.

(7) Income, Debtors and Bad Debts

Provisions for bad debts have been established in respect of general debtors in accordance with the SORP. The level of the provision has been set to provide adequate cover based upon an aged debt profile as at 31st March 2006.

(8) Investment

Investments are shown in the Consolidated Balance Sheet at cost. Note 8 to the balance sheet provides more detail in respect of investments.

(9) Provisions and Reserves

The Council sets aside provisions for specific future expenses, which are likely or certain to be incurred in accordance with the Financial Reporting Standard FRS12.

Reserves have also been established for specific purposes falling outside the definition of provisions or to hold accumulated surpluses. New reserves were created in the 2005/06 accounts to enable the carry forward of service underspends, in accordance with the Council's agreed policy on the operation of cash limits.

(10) Tangible Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

In 2004/05 the method of allocating Capital assets was altered due to the implementation of the new financial ledger and transferring the asset register to the new ledger.

CIPFA guidance allows Authorities to choose whether to depreciate its assets at either the mid point through the year or at the end of the year. From 2004/05 assets have been depreciated at the end of the year.

Fixed Assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

(11) Depreciation

Depreciation is provided for all fixed assets with a finite useful life in accordance with Financial Reporting Standard FRS15 :

- All assets with the exception of freehold land, community assets, investment properties and assets under construction are depreciated,
- Depreciation is calculated using the straight-line method.

(12) Charges to Revenue

From 1st April 1994 general fund service accounts, support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The effect of the capital charge included in services expenditure is offset by an accounting entry to the Asset Management Revenue Account leaving no effect on the Councils net operating expenditure and therefore Housing Council Tax requirement.

At the 1st April 1994 all assets were valued in line with the guidance issued by CIPFA and the Royal Institute of Chartered Surveyors. This guidance required that the valuations were reviewed at least every five years.

A rolling programme of re-valuations is in place to ensure the five-year guidance is adhered to. Any material changes to asset valuations, including reductions in value due to impairment will be adjusted for in the financial year in which they occur.

(13) Capital Financing

The introduction of the new Prudential Code overseeing capital finance and borrowing introduced in April 2004, presented the opportunity for this Council and other Berkshire Authorities to take back the direct management of the remaining part of the ex Berkshire County Council debt. (see note 16).

2004/05 saw a significant change in the management of local authority capital finance. The new Prudential Framework places the emphasis on affordability. Local authorities themselves decide how much they can afford to borrow, the costs of this borrowing being met from the revenue budget. This marks a significant shift away from the previous regime where local authority borrowing levels were set by Government which were then subsequently issued as credit approvals.

In establishing its Prudential Framework the Council has effectively decided that it can support the annual Capital programme of between £13 million and £14 million from its own resources. This will be supplemented by external funding and any underspends brought forward from the previous year and capital receipts.

Since the Council is now borrowing to support its Capital Programme it needs to support that borrowing through its Revenue Budget.

(14) Deferred Capital Receipts

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

(15) Capital Receipts

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

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

(16) Borrowing

The loan debt held by Berkshire County Council (BCC) when it was abolished due to local government reorganisation as at the 31/3/98 amounted to approximately £220m. The portfolio of debt consisted entirely of Public Works Loans Board (PWLB) loans, of which some £40m was deemed to be West Berkshire’s liability as part of the disaggregation process. At that time it was agreed by all the Berkshire authorities that the total debt would be administered by Reading Borough Council as part of their role as Designated Authority overseeing the closure of the BCC accounts

The introduction of the new Prudential Code overseeing capital finance and borrowing introduced in April 2004, presented the opportunity for this Council and other Berkshire authorities to take back the direct management of the remaining part of the ex BCC loan debt. The transfer took place with effect from 1st December 2006 and at that time £28.92m of Public Works Loan Board debt transferred to West Berkshire Council

(17) Reserves

Details of the Reserves held by the Council are shown in the Balance Sheet. Details of the major reserves and their purpose are given in the notes to the Balance Sheet.

(18) Trusts

The Authority has direct involvement with the Corn Exchange Theatre. The council acts as a major funding source and has a non controlling interest on the Board of Trustees.

The Corn Exchange is not a regulated Company as defined under the Local Authority’s (Companies) Order 1995.

(19) Grants

Grants and subsidies from Central Government have been credited to the appropriate revenue and Capital accounts. Accruals have been made to comply with the conditions of the grants.

(20) Redemption of Debt

See note 16.

(21) VAT

VAT is reconciled and accounted for to the HM Customs and Excise on a monthly basis.

(22) Leases

The Council has acquired a number of assets, mainly vehicles and equipment by means of operating leases. In accordance with current accounting procedures the leased assets are not stated in the Balance Sheet. Rentals are charged to revenue on a straight-line basis over the life of the lease. The Council did not enter into any finance lease agreements during the year.

(23) Post Balance Sheet Events

Post Balance Sheet Events are included in the Balance Sheet Notes as they occur.

(24) Contingent Liabilities

Contingent Liabilities are disclosed in the Balance Sheet notes and cover known liabilities where the actual cost of the liability is not known.

(25) Group Accounts

The SORP 2004 requires Councils to consider all their interests and to prepare a full set of group accounts where they have material interests in subsidiaries, associates or joint ventures. West Berkshire Council currently has no interests, which necessitates the production of Group Accounts.

Statement on Internal Control

1. Scope of Responsibility

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 targeted 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.

In discharging this overall responsibility, West Berkshire Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of West Berkshire Council's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 to deliver Best Value.

The system of internal control has been in place at West Berkshire Council for the year ended 31 March 2006 and up to the date of approval of the annual accounts.

The system is not static and improvements during 2004/05 have been made continuously. The improvements in 2004/05 include

Review of the Constitution – Task Group continues to review
Improvements in the budgetary control systems for revenue and capital expenditure
Introduction of new Financial Management System (Agresso) in February 2005
Improvements in risk management governance
Improvements in revenue and capital financial planning

3. The Internal Control Environment

The key elements include:-

The corporate governance arrangements, with a structure of a Leader, Executive, Scrutiny Committees, Corporate Management Team and officers through agreed schemes of delegation for Member and officer decisions.

The Corporate Plan 2003 –2008 which has been updated in 2005 and given the Title “Making a Real Difference”

The Corporate Plan takes the organisation forward and provides the focus for all the Council’s improvement planning. It has been influenced by what the public, partners, government and many others have said about West Berkshire Council, including the views set out in the West Berkshire Community Strategy which has also been refreshed this year.. It guides and shapes the Council’s use of resources through budget setting, service planning and its close integration with the Council’s Medium Term Financial Strategy. The CPA refresh in 2004 maintained the Council’s score for Use Of Resources at the maximum possible and continues to recognise our strength in priority and policy-led use of resources.

The 2005 refresh builds upon the success of the 2003 – 2008 plan’s second year of operation confirming the Council’s ten strategic development priorities and four cross cutting themes with some minor variations.

In considering the Council’s strong performance during 2004 and the changes that are taking place at a local and national level, this years update does not propose any changes to the Strategic Priorities or Development Themes. The “Update 2005” does however place a sharper focus, in terms of the effort, money and resources, on ten areas of greatest importance namely:

- Increasing the investment in highways and in the preparation of the new Local Transport Plan.
- Increasing the amount of waste that is recycled.
- Providing more affordable housing by seeking to maximise funding opportunities through the Capital Strategy and Programme, the planning system and through working in partnership with Housing Associations in the area.
- Putting in place preventative measures for vulnerable children and young people.
- Addressing the needs of all disadvantaged and excluded groups, with a particular focus on older people and those with high needs arising from disability and ill health.
- Continuing to improve the performance of our Planning Department and preparing for the new Local Development Framework.
- Providing new funding for library books to ensure that the Council meets national standards.
- Providing sufficient capacity to make sure important strategic partnerships become a reality.
- Providing the necessary infrastructure to help modernise the Council and improve its customer focus.
- Further improving the Council’s efficiency through the development of an ‘Invest to Save’ programme over the next five years that will deliver further resources for investment.

In addition to the 2005 Update the Council is also publishing its three year Medium Term Financial Strategy to cover the remaining period of the Corporate Plan. The

main objectives of this Strategy are to create a stable financial environment for the Council whilst at the same time identifying new resources and re-prioritising existing resources to ensure that the Council's Corporate Plan and annual Updates can be delivered. For 2005/06 £1.5 million of new and reprioritised revenue funding has been identified to ensure the Strategic Priorities and Development Themes can be progressed.

The Councils Corporate Plan contains a detailed action plan for each of its Strategic Priorities and Development Themes. To ensure that this is embedded in the performance management framework of the Council these priorities and themes are cascaded directly into the all service plans and into individual appraisals. This approach reinforces the idea that the whole council has responsibility for delivering good quality services and continuous improvement within a clear, strong and unambiguous performance management framework.

The Council's values are the test of everything we do and are shared with our Partners through the West Berkshire Local Strategic Partnership. The Government Office of the South East has recognised that West Berkshire is "considerably ahead" of many of its neighbours in the region in developing a partnership of this type.

The Council launched the Partnership in Autumn 2001 and set up action groups for Transport, Housing, Learning and Rural Issues to tackle specific priorities identified by the community. In 2003 the Partnership absorbed the Safer Communities Partnership and the Children and Young People's Partnership into the framework. The Partnership produced a Community Plan "A Better Future for All, a Community Plan for West Berkshire 2003-2008".

The partnership is undergoing review and restructuring in 2005 to ensure continuity and governance and performance management so that it is fit for purpose in delivering LPSA2 and LAA targets.

The Council has introduced, through its Improvement Planning Group (IPG) a significant change to the way in which it approaches the theme of Best Value and continuous improvement. This group consists of four Directors, relevant Heads of Service and other officers as necessary. The Council has a commitment to benchmark its services and processes with the best from both Private and Public sectors whilst applying Best Value principles through a variety of review approaches. The IPG co-ordinates this dynamic and practical approach and monitors specific action linked to projects supporting the strategic priorities.

The IPG has also initiated and organised several Service Improvement Days attended by the Councils Corporate Board and other key stakeholders with the aim of discussing and scoping of specific key issues such as Transport, Community Leadership, Older People and Performance improvement.

2004/05 continued the Audit Commission's joint audit and inspection programme, in turn this has shaped the Councils own internal review programme, resulting in a selection of cross-cutting reviews being undertaken rather than the service specific Best Value reviews. These have included;

- Transport

- Children's Services.
- Benefits

The Council has a Constitution, which includes the Scheme of Delegation and an Ethical Framework under which members and officers work to ensure compliance with established policies, procedures, laws and regulations.

Risk management is embedded in the activities of the authority. The policy lead for risk Management is with the Corporate Director - Strategy and Commissioning and advice and assistance has been led by the Assurance service provided through our key partnership with Amey. A Risk Management Committee of officers from all service groupings and also members is in place to provide an overview and manage the Risk Management process.

The Risk Management Strategy of the Council has been revised and updated to reflect the requirement to produce SIC.

The Strategic Risks that the Council faces have been revisited. Strategic Risks are now reviewed on a quarterly basis by the Corporate Board . An action plan has been drawn up and is being implemented at present to ensure appropriate mitigation is in place where necessary. Funding has been made available through the Council's Medium Term Financial Strategy to support the action plan. The Council's Executive has approved the Strategic Risk Register. A copy of these risks is attached as Appendix A to this statement. The Council's Corporate Plan and Medium Term Financial Strategy have been developed with reference to the key strategic risks. Project risk management is now in place for all new major projects, e.g. the Waste PFI, Shaw House and Parkway redevelopment, with a quarterly review for all major projects. The Council's Corporate Board will receive updates on these projects. Service based Operational Risk Registers have also been drawn up and action plans implemented to provide appropriate mitigation where necessary. The output from the risk registers, both strategic and operational was used to inform the internal audit plan for 2005-10..

Financial Procedure Rules, reviewed and kept up to date by the Head of Resources and Commissioning, are included in the Constitution. These set out the rules for the control of and management of the Council's finances and assets. Throughout the year there has been a well established monthly financial management reporting system, with cost centre managers reporting to Accountancy and quarterly reports to the Executive

Performance management is the responsibility of the Councils Corporate Directors. Reports to the councils Executive are produced on a quarterly basis.

4. Review of Effectiveness

West Berkshire Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Councils Corporate Directors have responsibility for the development, maintenance and review of the internal control framework.

The review has been informed by

- the work of the Internal Audit who report twice during the year, to the Executive,
- the work of the Audit Commission,
- the work of other review agencies and inspectorates.
- The provision of Assurance Statements by all Council Heads of Service. These have been reviewed and agreed by the relevant Corporate Director (Copies attached)

The Audit Commission produced a number of audit and inspection reports during 2004/05. In it's Audit and Inspection Annual Letter the District Auditor recognised that; "Real improvements are evident in a number of services, which has led to wholesale demonstrable service improvement. The Council is to be congratulated in its increased corporate performance assessment (CPA) score of "good"."

The Auditors' CPA scorecard placed West Berkshire 18th out of 150 Unitary Authorities for Use of Resources and continued to award the maximum score achievable.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and the Executive, and a plan to ensure continuous improvement of the system is in place.

Nick Carter
Chief Executive



Graham Jones
Leader of Council

The Consolidated Revenue Account

The Consolidated Revenue Account shows the expenditure and income for all General Fund Services. It summarises the total expenditure incurred by the Authority in the provision of services and demonstrates how the expenditure has been financed.

2004/2005			2005/2006	2005/2006	2005/2006
Net Total			Expenditure	Income	Net Total
£'000	note	£'000	£'000	£'000	£'000
Net Expenditure on Continuing Services					
3,198	Central Services to the Public		29,427	(27,635)	1,792
3,548	Corporate & Democratic Core		7,732	(325)	7,407
279	Court & Probation services		76	0	76
26,209	Cultural, Environmental and Planning Services		30,624	(6,221)	24,403
91,587	Education Services		131,781	(31,714)	100,067
17,084	Highways, Roads and Transport Services		22,749	(3,059)	19,690
1,860	Housing Services		9,776	(6,704)	3,072
38,190	Social Services		58,627	(17,522)	41,105
181,955	NET COST OF SERVICES	1	290,792	93,180	197,612
2,421	Precepts to Parishes	2			2,576
100	Precepts & Levies				108
0	(Surpluses)/defecits on trading undertakings				(272)
(495)	Interest Receivable				(487)
(120)	Local Government Pension Fund	15			(129)
(14,917)	Transfer from Asset Management Revenue Account	3			(14,058)
1,408	Bracknell Compensation				0
170,352	NET OPERATING EXPENDITURE				185,350
21	Miscellaneous Adjustments	4			21
2	Transfer to Special Expense Account	5			0
188	Prior Year Adjustments	6			(1,749)
23	PWLB Premium (see note 3 to the Consolidated Balance sheet)				23
0	Contribution to risk fund				598
0	Transfer of underspend to earmarked reserves				279
(1,940)	Local Government Pension Fund	15			(1,688)
(13,924)	Transfer from the Capital Financing Account	7			(12,663)
(1,581)	Transfer of movements through Reserves	8			(6,762)
(1,408)	Appropriation Bracknell compensation				0
151,733	AMOUNT TO BE MET FROM GOVERNMENT GRANT & LOCAL TAXPAYERS				163,409
SOURCES OF FINANCE					
(61,589)	Precept demanded from the Collection Fund	2			(64,414)
(46)	Collection Fund transfer re: Council Tax	9			15
(49,613)	Revenue Support Grant				(52,965)
(40,216)	Contribution from Non-Domestic Rate Pool				(48,039)
268	DEFICIT/(SURPLUS) FOR THE YEAR				(1,994)
(5,769)	Balance at 1st April 2005				(5,501)
0	Planned contribution to balances				(598)
0	Use of balances for Highways				1,200
268	Deficit/(Surplus)				(1,994)
(5,501)	BALANCE AT 31ST MARCH 2006				(6,892)

In accordance with the Accounting Code of Practice a Consolidated Revenue Account has been produced. The 2005/06 Consolidated Revenue Account has been produced in full compliance with the Best Value Accounting Code of Practice.

(1) Net Cost of Services

The net cost of services includes capital charges for the use of fixed assets. These are subsequently reversed within the Asset Management Revenue Account, so that the net effect on the amount to be met from Government Grants and local taxation is zero.

(2) Parish Council Precepts

Parish councils are required to precept on the District, who in turn precept on the collection fund. The total precept is £2,575,779.

(3) Asset Management Revenue Account

This account includes the reversal of capital charges made to revenue accounts for the use of fixed assets. The balance on this account is transferred to the Consolidated Revenue Account to offset any impact of capital charges on local taxation.

The transactions in the year were as follows:

<u>Asset Management Revenue Account</u>		
	2004/05	2005/06
	£'000	£'000
Notional Interest	(14,917)	(15,540)
Minimum Revenue Provision	0	149
Interest payable	0	1,333
Transfer to General Fund	(14,917)	(14,058)

(4) Miscellaneous Adjustments

There was a miscellaneous adjustment of £21,070 in 2005/06. This adjustment corresponds to one sixth of the Berkshire County Council's Deferred debtors. The remainder will be written off over the next three years.

(5) Special Expenses Revenue Accounts

Separate Revenue Accounts are maintained for Hungerford Town Council, Shaw Cum Donnington Parish Council, Kintbury Parish Council and Theale Parish Council. They account for items of expenditure specific to these areas for which a special precept is levied. The entry in the consolidated revenue account reflects the transfer

of Council Tax income to the special expenses account. Details of the special expense areas are as follows: -

Special expenses Revenue Account	Hungerford	Kintbury	Shaw	Theale
	Footway Lighting £000's	St Mary's Churchyard £000's	St Mary's Churchyard £000's	Holy Trinity Churchyard £000's
Gross Expenditure	4.0	0.3	2.1	2.4
Gross Income	0.0	0.0	0.0	0.0
Net Expenditure	4.0	0.3	2.1	2.4
Council Tax Income	(3.3)	(0.2)	(4.3)	(0.8)
Appropriation to balances	0.7	0.1	(2.2)	1.6
Balance from 2004/05	0.0	(1.2)	1.3	0.0
Balance carried forward to 2006/07	0.7	(1.1)	(0.9)	1.6

(6) Prior Year Adjustment

The total adjustment for prior years is £1,749,485.40 credit.

Summary of Prior Year Adjustments

	2005/06 £
NNDR revaluation's	(668)
Over provision of Housing Benefit payment	(750)
Subsidy provision not needed	(232)
Miscellaneous	(99)
	<u>(1,749)</u>

(7) Transfer from the Capital Financing Account

Appropriation from Capital Financing Account	2004/05	2005/06
	£'000	£'000
Deferred Charges written off to the Revenue Account	(1,007)	(1,493)
Depreciation	(12,917)	(11,170)
	<u>(13,924)</u>	<u>(12,663)</u>

(8) Movement through Reserves

See note 15 to the Consolidated Balance Sheet for the total movements in reserves.

(9) Transfer from the Collection Fund

A transfer of £14,767 has been made from the Collection Fund to the General Fund based on the estimated surplus at 31st March 2006. Transfers are made between the funds each year.

(10) Trading Operations

The Council operates eight sports centres, (five under contract with the private sector). The total income and expenditure incurred by the Council for all of the sites is detailed below.

<u>Trading Operations</u>		
	2004/05	2005/06
	£'000	£'000
Total income	(311)	(397)
Total expenditure	3,132	2,703
Net deficit	2,821	2,306

(11) Discretionary Expenditure

Under Part 1 of the Local Government Act 2000 Local Authorities were given a new discretionary power to promote or improve the economic, social or environmental well being of their area. This power came into force on 1st October 2000 and replaced the powers previously supported by section 137 of the Local Government Act 1972 (as amended by the Local Government and Housing Act 1989).

Where the new power differs from the previous provisions under section 137 is that there is no longer a restriction on the sum of money which can be spent in the promotion of well being.

The Authority incurred expenditure amounting to £511,915 in 2005/06 under the provisions of The Local Government Act 2000 as shown below.

These costs are part of the Council's Net Cost of Services.

<u>Discretionary Expenditure</u>		
	2004/05	2005/06
	(£)	(£)
Readibus	38,690	39,460
Handybus	96,906	97,424
Grants to voluntary organisations	356,356	375,031
Total Expenditure	491,952	511,915

(12) Publicity

Set out below, under the requirements of section 5(1) of the Local Government Act 1986, is the Council's spending on publicity. Publicity covers all forms of communication with the public for example it includes advertisements for job vacancies as well as press notices. The expenditure is included in the Consolidated Revenue Account as part of the Net Cost of Services.

Publicity	2004/05	2005/06
	(£)	(£)
Marketing and Public Relations	435,445	343,315
Recruitment Advertising	411,385	514,166
Total Expenditure	846,830	857,481

(13) Disclosure of Remuneration

Detailed below are the number of employees whose remuneration excluding pension contributions was £50,000 or more in bands of £10,000:

Disclosure of Remuneration	Number of Employees	
Remuneration Band	2004/05	2005/06
£50,000 - £59,999	25	38
£60,000 - £69,999	12	14
£70,000 - £79,999	1	5
£80,000 - £89,999	6	0
£90,000 - £99,999	2	5
£100,000 - £109,999	1	1

	2004/05	2005/06
	£	£
Expenses paid to the elected Members	430,834	447,634

(14) Superannuation Costs

In 2005/06 the Council paid an employer's contribution of £4,415k. This provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary, it is based on triennial actuarial valuations, the last review was 31st March 2004.

Under the Scheme Regulations contributions rates are set to meet 100% of the overall liabilities of the Fund. In addition, the Council is responsible for all pension

payments relating to added year's benefits awarded, together with the related increases. In 2005/06 these amounted to £279k.

Teachers Pension Scheme

In 2005/06 the Council paid an employer's contribution of £6,036k representing 13.5% of Teachers pensionable pay into the Teachers Pension Agency. In addition, the Council is responsible for all pension payments relating to added year's benefits awarded, together with the related increases.

(15) Retirement Benefits

Under Financial Reporting Standard (FRS) 17 Retirement Benefits certain disclosures are required in the Authority's accounts. The reporting standard for 2003/04 required for the first time specific entries to the balance sheet and consolidated revenue account relating to the net asset / liability recognised in relation to the Authority'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 Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme administered by Windsor and Maidenhead District Council 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 FRS17 requires the Authority 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 Authority 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 Consolidated Revenue Account after Net Operating Expenditure. The following Transactions have been made to the CRA during the year:

Local Government Pension Scheme	2004/05	2005/06
	000's	000's
<u>Net Cost of Services</u>		
Current Service Cost	4,740	6,212
Past Service Cost	0	20
Reversing Employers Contributions	(2,680)	(4,415)
	2,060	1,817
<u>Net Operating Expenditure</u>		
Interest Cost	5,880	7,389
Expected return on assets in the scheme	(6,000)	(7,518)
	(120)	(129)
<u>Amount to be met from Government Grants and Local Taxation</u>		
Movement on Pensions Reserve	(4,620)	(6,103)
Employers contributions payable to scheme	2,680	4,415
	(1,940)	(1,688)

(16) Related Party Transactions

The Council is required to disclose any material transactions that have taken place with related parties, bodies or individuals that could affect the decision making process within the Council. Transactions with Precepting Authorities, payments to the pension fund, levies to other bodies and Government departments are shown in the Collection Fund, notes to the Consolidated Revenue Account and the Cash Flow.

The list below represents the Council's material transactions with related parties during the financial year.

<u>Related Party Transactions</u>	2004/05	2005/06
	£000	£000
Amey West Berkshire	10,256	2,425
Corn Exchange Trust	437	437
Environment Agency	100	108
	10,793	2,970

The reduction in the Amey West Berkshire payment is due to the termination of the Partnership Agreement as at 1st July 2005.

During the year no Council members, chief officers nor their close relations or members of the same household have disclosed any declarable transactions with the Council.

This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest. The Council has prepared this disclosure in accordance with its current interpretation and understanding of FRS8 and its applicability to the public sector utilising current advice and guidance.

(17) Auditors Fees

In 2005/06 the following fees were incurred by West Berkshire Council and relate to external audit.

Auditors Fee	2004/05	2005/06
	£000	£000
Audit Commission Fee Core Work	283	247
Audit Commission Fee Grants Work	51	30
	334	277

(18) Building Control Account

The Council has adopted the Local Government Association's Model Scheme as the basis of its Scheme of Charges under the Building (Local Authority) Regulations 1998. These regulations require the disclosure of information regarding the setting of charges for the administration of the Building control function.

Certain activities performed by the building control unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building regulation's function, divided between chargeable and non-chargeable activities.

Building Control Account			
	Chargeable Activities 2005/06 £'000	Non Chargeable Activities 2005/06 £'000	Total Building Control 2005/06 £'000
Building Regulations Charging Account			
Expenditure			
Employees	416	83	499
Supplies & Services	22	2	24
Central and Support Charges	203	41	244
Total Expenditure	<u>641</u>	<u>126</u>	<u>767</u>
Income			
Building Regulation Charges	666	0	666
Miscellaneous Income	0	0	0
Total Income	<u>666</u>	<u>0</u>	<u>666</u>
Surplus / (Deficit) for year	<u>25</u>	<u>(126)</u>	<u>(101)</u>

The Collection Fund Income and Expenditure Account

As collection authority West Berkshire Council is responsible for the billing and recovery of Council Tax and Non Domestic Rates. Such transactions are required to be shown separately from the provision of services by the District Council.

The Collection Fund Income & Expenditure Account				
2004/05		notes	£000	2005/06
£000				£000
	Income			
(70,774)	Council Tax	(1)	(74,982)	
(55,980)	National Non-domestic rates	(2)	(64,686)	
(292)	Government Grants	(3)	(368)	
(127,046)	Total Income			(140,036)
	Expenditure			
	Precepts & Demands:	(4)		
61,589	West Berkshire Council		64,522	
6,970	Thames Valley Police Authority		7,344	
2,543	Royal Berkshire Fire Authority		2,576	
71,102				74,442
50	Transfer of General Fund in respect of estimated Distribution of surplus in respect of Council Tax	(5)		(17)
	Non-Domestic Rates:			
55,228	payments to the pool	(2)	63,532	
269	costs of collection		264	
55,497				63,796
(156)	Provision for non-payment of Council Tax	(6)		394
0	Provision for Council Tax Banding Appeals	(7)		0
483	Provision for non-payment of NNDR	(8)		890
253,575	Total Expenditure			139,505
126,529	(Surplus)/Deficit			(531)
(42)	(Surplus)/deficit brought forward			(112)
(70)	(Surplus)/deficit for year			(531)
(112)	(Surplus)/deficit carried forward			(643)

Notes to the Collection Fund

(1) Council Tax

A system of charging revenue called Council Tax (based on property) was introduced on 1st April 1993 and replaced the Community charge (based on people).

31 March 2005 £'000		£'000	31 March 2006 £'000
78,058	Opening Debit :	82,416	
11,189	plus additional debit	14,222	
89,247			96,638
(10,507)	less reduced debit	(13,808)	
(2,173)	exemptions	(2,303)	
(5,718)	discounts	(5,467)	
(75)	disabled relief	(78)	
(18,473)			(21,656)
70,774	NET DEBIT		74,982

(2) National Non-Domestic Rates

As from 1st April 1994 each Authority received its National Non-Domestic rates (NDR) income direct from the central pool rather than it passing through the collection fund. The entry in the Collection fund relates to the collection fund contribution to the pool.

31 March 2005 £'000		£'000	31 March 2006 £'000
68,067	Opening Debit	74,972	
(5,498)	plus additional debits	0	
62,569			74,972
(4,529)	less empty and revalued properties	(4,942)	
(248)	Interest payments to the pool	(148)	
61	transitional relief	(2,857)	
(1,813)	mandatory relief	(2,277)	
(60)	discretionary relief	(62)	(10,286)
55,980	NET DEBIT		64,686
269	Costs of Collection		264
483	Contribution to Bad Debt Provision		890
55,228	Net Contribution to pool		63,532
55,980			64,686

The opening debit is arrived at by multiplying the total rateable value by the rate poundage (45.6 pence in the pound).

(3) Government Grants

The following grants have been credited to the collection fund:

2004/05 £'000		2005/06 £'000
(292)	Ministry of Defence Properties	(368)

(4) Precepts & Demands

Under Council Tax, Parishes are required to precept on the district who in turn precept on the Collection Fund. The Thames Valley Police and the Royal Berkshire Fire Authority precept directly on the Collection Fund.

(5) Transfer to the General Fund

A transfer to the general fund in respect of the estimated deficit on the collection fund as at 31st March 2006 arising from Council Tax. The Surplus is shared between the precepting bodies, West Berkshire Council received £14,767, the Thames Valley Police £610 and the Fire Authority £1,671.

(6) Provision For Non Payment of Council Tax

A provision has been established to allow for the non-payment of Council Tax.

2004/05 £'000		2005/06 £'000
490	Opening Balance	273
(156)	Transfer from Income & Expenditure Account	(166)
(61)	Write Offs in the Year	394
<u>273</u>	<u>Closing Balance</u>	<u>501</u>

(7) Provision for non-payment of NNDR

2004/05 £'000		2005/06 £'000
700	Opening Balance	1,160
483	Met by the Pool	890
(23)	Write Offs in the Year	(425)
<u>1,160</u>	<u>Closing Balance</u>	<u>1,625</u>

(8) Council Tax Base

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

Range of Property Values		Band	Net Dwellings	Multiplier	Band D Equivalent £
	up to £40,000	A	1,727.10	6/9	1,151.03
over £40,000	up to £52,000	B	4,605.55	7/9	3,582.10
over £52,000	up to £68,000	C	15,369.50	8/9	13,661.80
over £68,000	up to £88,000	D	14,640.95	9/9	14,640.95
over £88,000	up to £120,000	E	8,914.75	11/9	10,894.61
over £120,000	up to £160,000	F	5,632.95	13/9	8,136.47
over £160,000	up to £320,000	G	3,361.35	15/9	5,602.27
over £320,000		H	537.10	18/9	1,074.20
					<u>58,743.43</u>
			Adjustment for Losses on Collection x		0.99
					<u><u>58,156.00</u></u>

Consolidated Balance Sheet

The Balance Sheet summarises the financial position of the Council as at 31st March 2006. It reflects the assets and liabilities of all the Council's activities.

Consolidated Balance Sheet			
2004/05 £'000		2005/06 £'000	2005/06 £'000
	Fixed Assets		
	Operational Assets:		
276,471	- Other land and Buildings	263,377	
5,327	- Plant & Equipment	8,511	
99,737	- Infrastructure Assets	101,096	
2,233	- Community Assets	5,556	
8,552	- Non-Operational Assets	7,664	
392,320			386,204
0	Long Term Investments		0
1,287	Long Term Debtors		1,217
393,607	TOTAL LONG TERM ASSETS		387,421
	Current Assets		
8	Stock and Work in progress	19	
22,874	Debtors	19,983	
1,036	Imprests	1,008	
5,459	Investments	6,076	
29,377			27,086
422,984			414,507
	Current Liabilities		
(24,712)	Creditors	(23,823)	
(7,300)	Short term borrowing	(4,000)	
(1,824)	Cash and Bank overdrawn	(4,251)	
(33,836)			(32,074)
389,148	TOTAL ASSETS LESS CURRENT LIABILITIES		382,433
(2,187)	Long term Liability	(1,766)	
(30,210)	Deferred Liability	(28,335)	
(25,000)	Pension Liability	(47,303)	
(1,166)	Provisions	(937)	
(58,563)			(78,341)
330,585	TOTAL ASSETS LESS LIABILITIES		304,092
237,440	Fixed Asset Restatement Account		238,418
80,253	Capital Financing Account		55,728
6,770	Government Grants Deferred		15,836
143	Deferred Credits		112
491	Usable Capital Receipts		33
14,225	Capital Reserves		21,141
(25,000)	Pension Reserve		(47,303)
5,633	Revenue Reserves		5,479
10,630	Fund Balances		14,648
330,585	TOTAL EQUITY		304,092

Notes to the Consolidated Balance Sheet

(1) Fixed Assets

Fixed Asset Valuation

The freehold and leasehold properties, which comprise the authority's property portfolio, are revalued as part of a five year rolling programme. A proportion of these properties have been revalued as at 1st April 2005 by Martyn A Powers, Member of the Royal Institution of Chartered Surveyors, (the Asset Development Officer), in accordance with the Statement of Recommended Practice (SORP) issued by CIPFA and the Statement of Asset Valuation Principles & Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Capital Expenditure

The total capital expenditure for the year was £25,095,867.

This was financed as follows:

Capital Expenditure Financing	GENERAL	GENERAL
	FUND	FUND
	2004/05	2005/06
Source	£'000	£'000
Government Grants	3,718	2,467
Other Grants	0	3,488
Council Funds (debt free)	4,754	0
Capital receipts	7,307	0
Other internal balances and funds	204	14,398
Revenue funding	657	764
Developers/other contributions	3,165	3,979
	19,805	25,096

The main items of capital expenditure in the year were as follows:

Main Items of Capital Expenditure	
Project Title	£'000
Disabled Facilities Grant	866
Temporary Accommodation Refurbishment	276
Software Replacement Ict Strategy	263
It System Replacement	400
Waste Management Site Provision	308
Waste Pfi	533
Minor Structural Maintenance Buildings	189
Modernise Thatcham Railbridge	275
Kennet Centre Mscp	165
Car Park Pre-Pay Machines	150
Access Thatcham Rail	211
A340 Basingstoke Road	350
Berry's Lane Pingewood	305
Church Lane En/Back Lane Titcombe	149
Brunel road Theale	215
Hampstead Marshall	157
Additional Highways Maintenance Works	205
Environmental Capital Salaries	429
Castlecroft	376
Ngfl Part C Broadband	197
Shaw House Construction	3,047
John O'Gaunt Artificial Pitch	467
Improving Sensory Access	246
Purley Infant Early Years	419
Seed Challenge	204
Downs School New Accommodation	2,358
Parsons Down Junior Extension Alteration	708
John Rankin Junior Extension	399
Birch Copse Additional Accommodation	229
Primary School Reorganisation	159
Education - Pmp	1,478
Corporate It Replacement	167
Wan Upgrade	615
SX3	266
HR/Payroll System	256
Server and Storage consolidation	430
ICT Capital Salaries	219
Capital Salaries Property	711
Asset Disposal Programme	208
Avonbank Lease	421
Total	19,024
(Note - spend over 150k shown.)	

Capital Assets

During the year a proportion of the Assets were revalued in line with the five year rolling programme. Three DIYSO properties were sold which are reflected in the Housing Operational Properties, George House for Social Services and one Commercial premises Mill lane. Conversely Public Open Spaces increased as a result of adopting an additional area.

The three Foundation schools in the district are not included in the Council's asset register but the Council is required to disclose their valuation. As at 1 April 2005 the three schools were valued at £31.5m.

Capital Assets	31-Mar-05	31-Mar-06
	Nos	Nos
Public Conveniences	9	9
Car Parks	24	24
Industrial Units	8	8
Surplus Premises	1	1
Farms (approx. size 45 hectares)	3	3
Refuse Tips	2	2
Leisure Centres	8	8
Social Services	18	17
Libraries	8	8
Schools	56	56
Commercial Premises	12	11
Public Open Spaces	283	284
Offices	7	7
Community Centres / Facilities	25	25
Depots Others	1	1
Highways Depots	2	2
Housing operational properties	54	51
Total	521	517

Capital Commitments on Existing Schemes Included	
Project Title	£'000
Disabled Facilities Grant	351
Newbury Day Center - Replacement	1,116
It System Replacement	556
Waste Management Site Provision	2,036
Thatcham Nature Discovery	652
Monkey Bridge	209
Work Fr Traffic Study	171
Alfreys Grazeley	213
Crookham Rd/Thornford Rd Junction Improvements	311
Northbrook Street Enhancement	237
Greenham House	306
Ngfl Part C Broadband	342
Shaw House Construction	800
Improving Sensory Access	224
Whitelands Park Primary	616
Downs School New Accommodation	1,260
Secondary School Accommodation Strategy	173
Parsons Down Junior Extension Alteration	159
Robert Sandilands Extension	167
Bridgeway Pru Relocation	183
St Bart's Art Accommodation	250
Spurcroft School - Site Expansion	150
Geographic Information System	250
HR/Payroll System	436
SIP (Amey) Projects not yet allocated	1,244
SIP Contingency	283
Hungerford Library	564
Invest to save Projects (not yet allocated)	250
Total	13,508
(Note - slippage over 150k shown.)	

(2) Analysis of Movement in Fixed Assets

MOVEMENT OF FIXED ASSETS 2005/2006						
	Other Land & Buildings £'000	Non- Operational Assets £'000	Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	TOTAL £'000
Gross Book Value @ 31/03/05	291,438	8,624	7,378	115,666	2,444	425,550
Depreciation @ 31/03/05	(14,966)	(73)	(2,050)	(15,929)	(211)	(33,229)
Net Book Value @ 31/03/05	276,472	8,551	5,328	99,737	2,233	392,321
Revaluations	(23,271)	(418)				(23,689)
Value @ 01/04/05	253,201	8,133	5,328	99,737	2,233	368,632
Additions	11,423		4,203	4,576	3,400	23,602
Disposals	(848)	(497)				(1,345)
Gross Book Value @ 31/03/06	263,776	7,636	9,531	104,313	5,633	390,889
Depreciation charged to services	(6,846)	(10)	(1,020)	(3,217)	(77)	(11,170)
Depreciation on revalued assets	6,404	38				6,442
Depreciation on disposal	44					44
Balance @ 31/03/06	(398)	28	(1,020)	(3,217)	(77)	(4,684)
Net Book Value @ 31/03/06	263,378	7,664	8,511	101,096	5,556	386,205

Leased Assets

The Council leases certain items of vehicles, Office equipment and Leisure equipment under the terms of an operating lease. These items are not the property of the Council and consequently are not recorded in the Balance Sheet.

The amount paid under these arrangements in 2005/06 was £595,299 (2004/05 - £46,000). Subsequent payments required under these leases are £609,137 for 2006/07 and £641,135 for 2007/08.

The increase in the total of the lease agreements is due to the inclusion of vehicle leases in the summary and the leases previously paid under the agreement with Amey.

The table below analyses potential leasing commitments over the required annual expiry periods.

Operating Leases	Vehicles, Plant and Equipment
	£000's
Leases expiring in 2006/07	1
Leases expiring between 2007/08 & 2010/11	44
Leases expiring after 2010/11	698
Total	<u>743</u>

(3) Long Term Investments

As at 31 March 2006 there were no Long Term Investments.

(4) Long Term Debtors

Long term debtors analysis :	Balance At 31/03/05 £'000	Movement In the Year £'000	Balance at 31/03/06 £'000
BCC Debtors	84	(21)	63
Property Charges	52	(4)	48
Employees Car Loans	41	(1)	40
Sale of Council Houses	143	(31)	112
PWLB	138	(23)	115
School loans	822	10	832
Other Loans and Advances	7	0	7
Total Long Term Debtors	<u>1,287</u>	<u>(70)</u>	<u>1,217</u>

The PWLB premium relates to debt rescheduling undertaken by the Designated Authority dealing with the ex BCC debt. It is being written off over a 13-year period starting in 1998/99, there are five years remaining.

(6) Stock and Work in Progress

	Opening Balance at 31/03/05 £'000	Closing Balance at 31/03/06 £'000
Stocks	8	19
	<u>8</u>	<u>19</u>

The majority of the stock is for the Nature Discovery Centre, the Museum, the Tourist Information centre and Ufton Court.

(7) Debtors

Amounts falling due in one year:-	31/03/05	31/03/06
	£'000	£'000
Government Departments	6,493	2,251
Other Local Authorities	2,004	1,034
Housing Rents	32	0
Collection Fund	2,083	1,222
Year end Accruals	6,713	7,238
Payments in Advance	1,691	2,154
Sundry Debtors	5,814	9,088
Total Debtors	24,830	22,987
less provision	(1,956)	(3,004)
Total Debtors	22,874	19,983

(8) Investments

	Nominal	Market	Cost	Nominal	Market	Cost
	Holding	Value		Holding	Value	
	@31/03/05	@31/03/05	£'000	@31/03/06	@31/03/06	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
Association of D.C.'s.	50	50	50	50	50	50
Investments - payable over 1 year	0	0	0	0	0	0
Temporary (i)	5,409	5,409	5,409	6,026	6,026	6,026
Total Investments	5,459	5,459	5,459	6,076	6,076	6,076

Temporary Investments (to be repaid within 365 days) held at 31.03.06 were as follows

	Amount £'000	Interest Rate %
Fixed Loans	4,500	4.62%
Money Market Funds	300	4.38%
Deposit Account	1,226	4.50%
	<u>6,026</u>	

In accordance with the Authority's Treasury Management policy the maximum amount that can be lent to any one body is £5,000,000.

(9) Creditors

	31/03/05 £'000	31/03/06 £'000
Government departments	1,029	1,552
Sundry creditors	18,502	18,236
Receipts in advance	5,181	4,035
Total Creditors	<u>24,712</u>	<u>23,823</u>

(10) Short Term Borrowing

At 31 March 2006 short term borrowing amounted to £4,000,000.

(11) Deferred Liability

See note 16 re former Royal County of Berkshire loan debt.

(12) Provisions

	Balance @ 31/03/05 £'000	Receipts in Year £'000	Payments in Year £'000	Balance @ 31/03/06 £'000
Crookham (extraction of minerals)	2	11	0	13
Community Care	140	0	(140)	0
Provision for liabilities	1,024	302	(402)	924
Total Provisions	1,166	313	(542)	937

(13) Government Grants Deferred

The Statement of Standard Accounting Practice (SSAP 4) states that the Government Grants Deferred account should represent the value of capital grants and contributions received, which have been applied to finance the acquisition or enhancement of Fixed Assets. The balance of the account is released to revenue over the life of the asset taking into account depreciation.

(14) Deferred Credits

Deferred Credits are amounts from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council Houses.

	Balance @ 31/03/05 £000	Credit £000	Balance @ 31/03/06 £000
Sale of Council Houses	143	(31)	112

(15) Capital Receipts Unapplied

These are capital receipts, which have not been used to finance Capital expenditure or to repay debts. The Council is required to split all capital receipts into reserved and usable amounts.

Reserved Amounts

	General Fund Reserved Receipts £'000
Opening Balance	4,594
Receipts in Year	0
Transfer to Usable receipts	0
Balance as at 31 March 2006	4,594

Usable Amounts

	General Fund £'000
Opening Balance	491
Receipts in year	977
Receipts used in year	(1,435)
Balance as at 31 March 2006	33

(16) Reserves and Balances

Fund Balances	31st March	Receipts	Payments	31st March
	2005			2006
	£'000	£'000	£'000	£000
General Fund	5,501	2,591	(1,200)	6,892
Highways fund	0	1,200		1,200
Closed church yards	0	2	(2)	0
Hungerford Town	0		(1)	(1)
Deferred Income	476			476
Compensation Fund	(6)	152		146
Collection Fund	112	531		643
Schools Balance	4,136	666		4,802
Ground Water	200			200
Youth & Community Centre Balances	50		(23)	27
Joint Arrangement Fund	161	102		263
Total Fund Balances	10,630	5,244	(1,226)	14,648
Reserves				
Capital				
Capital Provision Fund	2,022		(2,022)	0
Developers Contribution Fund	9,861	6,895		16,756
Grant Holding account	2,342	2,043		4,385
Total Capital Reserves	14,225	8,938	(2,022)	21,141
Revenue				
Concessionary fares unrepresented tokens	650	376	(525)	501
Geographical Information System	267		(52)	215
Community Development Fund	81		(81)	0
Housing reserves	345	30		375
BCC debt premium	0		(809)	(809)
Berkshire receipt	1,328			1,328
Commuted sums	800	38		838
Greenham	127		(21)	106
Supporting People Reserve	600			600
Self Insurance Fund	1,127	496		1,623
Revenue Earmarked Reserves	0	279		279
Ormonde Centre	174	9		183
Other Reserves	134	106		240
Total Revenue Reserves	5,633	1,334	(1,488)	5,479
Total Reserves	19,858	10,272	(3,510)	26,620
Total all funds/ reserves	30,488	15,516	(4,736)	41,268

Capital Financing Account: represents the movement in financing charges resulting from the implementation of the new system of Capital Accounting.

Schools Balances: If schools underspend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31st March 2006 schools held total balances of £4.8m.

This figure does not include balances held by former grant maintained (GM) schools (3 secondary and 2 primary), which are not held in the Council's bank account and therefore not shown on the balance sheet.

West Berkshire's Schools Forum has set a recommended maximum limit for balances on schools' delegated budgets of 5% of the annual budget or £20,000 (whichever is the greater). In line with the Scheme for Financing Schools, schools with balances in excess of these limits, have been asked to explain the purposes for which their balances have been earmarked.

Concessionary Fares: the reserve is held to meet the cost to the council of travel tokens which have been issued to the public but have yet to be presented to the council for reimbursement by the local travel operators who accept the tokens as payment for journeys.

Geographical Information System: the reserve is established to ensure that there is sufficient funding available to maintain and enhance a system, which is not service specific.

Defective Housing Fund: this fund relates to Housing activity and contributions relating to past expenditure, the grant is received from the Government in arrears.

Superannuation Reserve: specific reserve established to meet possible future costs of pension changes / Actuary recommendations.

Receipts from Berkshire County Council: represents the allocation to West Berkshire Council of ex Berkshire County Council (BCC) provisions mainly relating to insurance matters, which are now unlikely to be required to meet ex BCC liabilities.

Developers Contributions Fund: holds the receipts from developers involved in capital schemes to meet revenue and or capital costs resulting from the scheme concerned.

Commutated Sums: are developer's contributions to the maintenance over a period of years for new open spaces, play equipment and sewers.

Greenham reserves: this relates to reserves held in respect of future liabilities.

(17) Local Government Pension Scheme

Note 15 to the Consolidated Revenue Account contains details of the Authorities participation in the Local Government Pension Scheme.

The underlining assets and liabilities for retirement benefits attributable to the Authority (including a percentage of the Berkshire County Council pension fund) at 31 March 2006 are as follows,

Local Government Pension Scheme		
	31 March 2005 000's	31 March 2006 000's
Estimated Liabilities in the scheme	(156,971)	(215,859)
Estimated Assets in the scheme	118,985	168,556
Net Asset / (Liability)	<u>(37,986)</u>	<u>(47,303)</u>

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

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Authorities liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2005.

The main assumptions used in their calculations are listed below:

Financial Assumptions		
Assumptions as at:	31 March 2005	31 March 2006
Price increases	2.9%	3.1%
Salary increases	4.4%	4.6%
Pension increases	2.9%	3.1%
Discount rate	5.4%	4.9%

Assets held by the whole fund and analysed in terms of the investments in which they are held as at 31st March 2006 can be summarised as:

Asset Type	Assets at	Long Term	Assets at	Long Term
	31 March 2005	Return at	31 March 2006	Return at
	£000's	31 March 2005	£000's	31 March 2006
		%		%
Equities	84,582	7.7%	124,277	7.4%
Bonds	18,298	4.8%	22,422	4.6%
Property	11,389	5.7%	15,363	5.5%
Cash	4,716	4.8%	6,494	4.6%
Total	118,985		168,556	

(18) Contingent Liabilities

At the time of preparing the statements the Legal service are aware there are two possible claims against the Council relating to Planning Enforcement. There is also a potential compensation claim against the Council which could go before the Lands Tribunal. These may become liabilities to the council in the future;

There is a possibility that costs could be incurred due to these claims but an accurate estimate could not be made at the time the statements were prepared. Therefore no provision has been reflected in the accounts. However it should be noted that both capital and revenue reserves are held to cover any such liabilities.

(19) Post Balance Sheet Events

There are no known post balance sheet events.

(20) Long Term Liability

The long-term liability represents a lease for Avonbank and Northcroft House. The lease is for an operational building and is used to locate the Community Care and Children and Young People's Directorates, with part of it being sub leased to the Primary Care Trust. The Lease will be written down over eight years.

Movements in Reserves

The statement of movements in reserves brings together all the recognised gains and losses of the Council during the financial year. The statement distinguishes between movements on revenue reserves and capital reserves.

Statement of Total Movements in Reserves for the Year Ended 31st MARCH 2006		
	2004/05	2005/06
	£000's	£000's
Surplus / (deficit) for the year:		
- General Fund	(268)	2,592
Deferred credits	(59)	(31)
- Special Expenses	2	(1)
- Collection Fund	70	531
Movements on specific revenue reserves and fund balances	6,008	743
Appropriation from pensions fund	(2,220)	(15,030)
Actuarial gains and losses relating to pensions	note 5 (4,580)	(7,273)
Total increase / (decrease) in Revenue Resources	(1,047)	(18,469)
Increase / (decrease) in Useable capital receipts	(6,977)	6,458
Total increase / (decrease) in realised capital resources	note 1 (6,977)	6,458
Gains / (losses) on revaluation of fixed assets	(3,045)	(87)
Impairment losses on fixed assets due to general changes in prices	0	0
Total increase / (decrease) in unrealised value of fixed assets	note 2 (3,045)	(87)
Value of assets sold, disposed of or decommissioned	note 3 (8,469)	1,065
Capital receipts set aside	(3,687)	(19,990)
Revenue resources set aside	3,217	(4,535)
Movement on Government grants deferred	6,770	9,066
Total increase / (decrease) in amounts set aside to finance capital investment	note 4 6,300	(15,459)
Total recognised gains and losses	(13,238)	(26,492)

(1) Movements in Realised Capital Resources

	Usable capital resources	Unapplied capital grants & contributions
	£000s	£000s
Amounts receivable in 2005/06	17,965	0
Amounts applied to finance new capital investment in 2005/06	(11,507)	0
Transferred to General fund	0	
Total increase / (decrease) in realised capital resources in 2005/06	6,458	0
Balance brought forward at 1st April 2005	14,716	0
Balance carried forward at 31st March 2006	21,174	0

(2) Movements in Unrealised value of fixed assets

	Fixed asset restatement reserve £000's
Gains / losses on revaluation of fixed assets in 2005/06	(23,689)
Additional Assets in 2005/06	23,602
Total increase / (decrease) in unrealised capital resources in 2005/06	(87)

(3) Value of assets sold, disposed of or decommissioned

Amounts written off fixed asset balances for disposals in 2005/06	(1,345)
Transfer to Government Grants Deferred	536
Ex Berkshire principal repayments	1,874
Total movement on reserve in 2005/06	978
Balance brought forward for Fixed Asset Restatement Account at 1st April 2005	237,440
Balance carried forward at 31st March 2006	238,418

(4) Movements in Amounts Set Aside to Finance Capital Investment

	Capital Financing Account £000's
Capital Funding	(19,990)
Total capital funding set aside in 2005/06	(19,990)
Revenue resources set aside in 2005/06	
- Capital expenditure financed from revenue	149
- Reconciling amount for provisions for loan repayment	
- Revaluation & restatement of assets	(4,684)
- Bracknell land Compensation	
Total revenue resources set aside in 2005/06	(4,535)
Grants applied to capital investment in 2005/06	9,602
Amounts credited to the asset management revenue account in 2005/06	(536)
Movement on Government Grants Deferred	9,066
Total movement on reserve in 2005/06	(15,459)
Balance brought forward at 1st April 2005	87,023
Balance carried forward at 31st March 2006	71,564

(5) Note to the Movements in Reserves relating to the FRS17 Local Government Pension Scheme.

The Actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities.

Local Government Pension Scheme	31 march 2005		31 march 2006	
	£000's	%	£000's	%
Differences between the expected and actual return on assets	2,930	3.2%	18,898	13.8%
Differences between actuarial assumptions about liabilities and actual experience	10,080	27.8%	(4,786)	2.8%
Changes in the demographic and financial assumptions used to estimate liabilities	(17,590)		(21,385)	
Total	<u>(4,580)</u>		<u>(7,273)</u>	

Cash Flow Statement

The consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2004/05 £'000		note s	2005/06 £'000	2005/06 £'000
	Cash (Outflows):			
(100,311)	Cash paid to and on behalf of employees		(116,892)	
(122,142)	Other operating costs		(124,530)	
(19,162)	Housing Benefit paid out		(20,912)	
(9,396)	Precepts Paid		(12,602)	
(59,523)	Non-domestic rates paid to National Pool		(61,991)	
(310,534)	TOTAL CASH OUTFLOWS			(336,927)
	Cash Inflows:			
93	Rents (after rebates)			
66,389	Council Tax income		69,563	
55,987	Local Non-Domestic Rate income		64,835	
40,216	Non-domestic rate income from National Pool		48,039	
49,613	Revenue Support Grant		52,965	
24,847	DSS grants and rebates		27,682	
9,318	Other Government grants	3	10,043	
59,845	Cash received for goods and services		81,366	
295	Other revenue cash payments/income		331	
306,603	TOTAL CASH INFLOWS			354,824
(3,931)	Revenue Activities Net Cash Received	1		17,897
	Returns on Investments and Servicing of Finance			
	Cash (Outflows)/Inflows			
(219)	Interest paid		(215)	
964	Interest received		482	
745				267
	Capital Activities			
	Cash (Outflows)			
(19,805)	Expenditure for Capital Purposes			(23,602)
	Cash Inflows			
1,148	Capital Receipts		946	
3,717	Capital grants received		5,954	
4,865				6,900
(18,126)	Net Cash Inflow/(Outflow) before Financing			1,462
	Financing and Treasury Management			
7,300	Increase/(Decrease) in Temporary Borrowing	2		(3,300)
9,081	(Increase)/Decrease in Temporary Investments	2		(617)
(1,745)	Net Increase/(Decrease) in Cash Equivalents	2		(2,455)

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

	£'000	£'000
-		
General Fund Surplus		(1,994)
Collection Fund Cash deficit		15
Non Cash Transactions		
Contribution to/(from) Reserves		17,886
Items on an accruals basis		
(Increase)/Decrease in Stock	(11)	
(Increase)/Decrease in Debtors	2,891	
Increase/(Decrease) in Creditors	(890)	1,990
		<hr/>
Items classified outside Revenue Activities		17,897
		<hr/>
Revenue Activities Net Cash Inflow		17,897

(2) Reconciliation to Consolidated Balance Sheet

	Balance at 1/04/05 £000	Cash Movement £000	Balance at 31/03/06 £000
Temporary Borrowing	7,300	(3,300)	4,000
Temporary Investments	(5,459)	(617)	(6,076)
Cash Overdrawn	(1,824)	(2,427)	(4,251)
Imprests	1,036	(28)	1,008
	<hr/>	<hr/>	<hr/>
	(788)	(2,455)	(3,243)

(3) Other Government Grants

	2005/2006 £'000
Mandatory Student Awards Grant	0
Standards Fund Grant	10,043
Total Other Government Grants	10,043

Title of Report:	Review of Statement of Internal Control 2005-2006	Item 9
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:		

Corporate Plan Priority:	D4 – Stronger governance
The proposals contained in this report will help to achieve the above Corporate Plan priority by:	
<ul style="list-style-type: none"> • Reviewing the Statement of Internal Control 	

Purpose of Report:

To provide a Statement of Internal Control for the Council in line with the Accounts and Audit Regulations

Recommended Action:

To review and approve the SIC

Reason for decision to be taken:

To provide an independent review of the SIC prior to it being signed by the Leader of the Council and Chief Executive

List of other options considered:

none

Key background documentation:

Risk Strategy, Strategic Risk Register, Service Risk Registers and Assurance Statements from Heads of Service, Annual report of the Head of Assurance. Annual report of the Monitoring Officer and s151 Officer

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1 Introduction

- 1.1 The purpose of this report is to outline the purpose of the Statement of Internal Control (SIC) and explain how the necessary assurance to support the SIC has been obtained. This will enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.

2 Purpose of the SIC

- 2.1 The SIC is designed to provide stakeholders of the Council with assurance that the Council has operated within the law and that the Council has met the requirements of the Accounts and Audit Regulations 2003:

"The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control".

A copy of the SIC for 05-06 is attached to this report for review, at Appendix A.

- 2.2 The approach taken by the Council to carrying out the review of the system of internal control was set out in the report to Corporate Board in December 05. This report identified the sources of assurance that underpin the review. These are:

- The Strategic Risk Register
- Head of Service Assurance Statements and service risk registers
- The "Head of Internal Audit" annual report
- The Monitoring Officer's annual report
- The s151 Officer's annual report

This evidence provides the assurance that enables the Leader and Chief Executive to sign the SIC with confidence.

3 Role of Governance and Audit Committee re the SIC for 2005-06

- 3.1 A key function of the Governance and Audit Committee is to review and approve the SIC for 05-06 prior to it being signed off by the Chief Executive and Leader of the Council.
- 3.2 In order to be able to review the SIC the Committee needs to examine the evidence, noted in 2.2 above, that supports the SIC.
- 3.3 The Committee has reports, covering all the supporting evidence noted above, on the agenda for this meeting.

Statement on Internal Control

1. Scope of Responsibility

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, properly accounted for and targeted 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.

In discharging this overall responsibility, West Berkshire Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of West Berkshire Council's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It 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 to deliver Best Value.

An effective system of internal control has been in place at West Berkshire Council for the year ended 31 March 2006 and up to the date of approval of the annual accounts.

The system is not static and improvements during 2005/06 have been made continuously. The improvements in 2005/06 include

Review of the Constitution

Introduction of a Governance and Audit Committee reporting to full Council and operating in accordance with the CIPFA guidance for audit committees

Introduction of revised scrutiny arrangements with an Overview and Scrutiny Commission to enhance the "holding to account" role of scrutiny.

Improvements in the budgetary control systems for revenue and capital expenditure

Further development of the new Financial Management System (Agresso) that was introduced in February 2005

Improvements in risk management

Improvements in revenue and capital financial planning

3. The Internal Control Environment

The key elements include:-

The corporate governance arrangements, with a structure of a Leader, Executive, Overview and Scrutiny Commission, Corporate Management Team and officers through agreed schemes of delegation for Member and officer decisions.

The Corporate Plan 2003 –2008 which has been updated in 2006 and given the Title "Empowering communities; providing effective leadership"

The Corporate Plan takes the organisation forward and provides the focus for all the Council's improvement planning. It has been influenced by what the public, partners, government and many

Appendix A

others have said about West Berkshire Council, including the views set out in the West Berkshire Community Strategy which has also been refreshed this year. It guides and shapes the Council's use of resources through budget setting, service planning and its close integration with the Council's Medium Term Financial Strategy. The CPA refresh "The harder test" in 2005 impacted on the Council's use of resources score, but action plans have been put in place and implemented to ensure that the Council meets the revised requirements for use of resources.

The 2006 refresh builds upon the success of the 2003 – 2008 plan's third year of operation confirming the Council's ten strategic development priorities and four cross cutting themes with some minor variations.

In considering the Council's strong performance during 2005 and the changes that are taking place at a local and national level, this years update does not propose any changes to the Strategic Priorities or Development Themes. The "Update 2006" does however place a sharper focus, in terms of the effort, money and resources, on ten areas of greatest importance namely:

- Implement the Local Area Agreement through a strengthened Local Strategic Partnership. Enhance rural services and facilities
- Improve the employment opportunities of socially excluded and disadvantaged groups
- Develop preventative measures that limit the need for intensive support and solve peoples problems at an early stage
- Complete the establishment of a Children's Trust and progress work on our extended schools programme
- Increase investment in road maintenance
- Expand the network of Community Wardens and Police Community Support Officers
- Develop joined up transport solutions to improve service delivery
- Develop and launch the Council's Clean and Green agenda to protect the local environment

In addition to the 2006 Update the Council is also publishing its three year Medium Term Financial Strategy to cover the remaining period of the Corporate Plan. The main objectives of this Strategy are to create a stable financial environment for the Council whilst at the same time identifying new resources and re-prioritising existing resources to ensure that the Council's Corporate Plan and annual Updates can be delivered. For 2006/07 additional investment of £2.4 million in the Council's priorities has been identified.

The Councils Corporate Plan contains a detailed action plan for each of its Strategic Priorities and Development Themes. To ensure that this is embedded in the performance management framework of the Council these priorities and themes are cascaded directly into the all service plans and into individual appraisals. This approach reinforces the idea that the whole council has responsibility for delivering good quality services and continuous improvement within a clear, strong and unambiguous performance management framework.

The Council's values are the test of everything we do and are shared with our Partners through the West Berkshire Local Strategic Partnership. The Government Office of the South East has recognised that West Berkshire is "considerably ahead" of many of its neighbours in the region in developing a partnership of this type.

The Council launched the West Berkshire Partnership in Autumn 2001 and set up action groups for Transport, Housing, Learning and Rural Issues to tackle specific priorities identified by the community. In 2003 the Partnership absorbed the Safer Communities Partnership and the Children and Young People's Partnership into the framework. The Partnership produced a Community Plan "A Better Future for All, a Community Plan for West Berkshire 2003-2008".

The Partnership has also completed a comprehensive review of its structures, governance and performance management arrangements to ensure that it is best placed to deliver the outcomes which

Appendix A

are included in both in the Community Strategy but also within the approved Local Area Agreement which was signed in March 2006. This Agreement will mean partners working closely together in order to tackle national and local priorities across a range of different areas. To support the LAA the Council has also procured a new internet based performance management system which will be made available to officers across the Partnership.

The Council has introduced, through its Improvement Planning Group (IPG) a significant change to the way in which it approaches the theme of Best Value and continuous improvement. This group consists of the Chief Executive, three Directors, relevant Heads of Service and other officers as necessary. The Council has a commitment to benchmark its services and processes with the best from both Private and Public sectors whilst applying Best Value principles through a variety of review approaches. The IPG co-ordinates this dynamic and practical approach and monitors specific action linked to projects supporting the strategic priorities.

The Council has set up a Value for Money Strategy Group led by a Director to oversee the Gershon agenda and ensure that the Council delivers the VFM agenda. Key areas for this group, for 2006, are

- Libraries
- Highways
- Waste
- Embedding the concept of VFM within service delivery across all Council Services.

The Council has a Constitution, which includes the Scheme of Delegation and an Ethical Framework under which members and officers work to ensure compliance with established policies, procedures, laws and regulations.

Risk Management is embedded in the activities of the authority. The policy lead for Risk Management is with the Chief Executive and advice and assistance has been led by the Assurance Service. A Risk Management Committee of officers from all service groupings and also members is in place to provide an overview and manage the Risk Management process. This group produce quarterly reports for Corporate Board and Management Board to highlight any emerging issues.

The Risk Management Strategy of the Council has been revised and updated to reflect the requirement to produce SIC.

The Strategic Risks that the Council faces have been revisited. Strategic Risks are now reviewed on a quarterly basis by the Corporate Board, and Management Board. An action plan has been drawn up and is being implemented at present to ensure appropriate mitigation is in place where necessary. The Governance and Audit Committee also reviews the Strategic Risk Register on a quarterly basis with a focus on monitoring implementation of the action plan. Funding has been made available through the Council's Medium Term Financial Strategy to support the action plan. The Council's Executive Committee approves the Strategic Risk Register annually. The Council's Corporate Plan and Medium Term Financial Strategy have been developed with reference to the key strategic risks.

Project risk management is now in place for all new major projects, e.g. the Waste PFI, Shaw House and Parkway redevelopment, with a quarterly review for all major projects. The Council's Corporate Board receives updates on these projects as part of the Strategic Risk Register.

Service based Operational Risk Registers have also been drawn up as part of Service Plans. Action plans implemented to provide appropriate mitigation where necessary. These are reviewed quarterly by service management teams. Corporate Board have reviewed "Red" risks highlighted in service risk registers. The output from the risk registers, both strategic and operational was used to inform the internal audit plan for 2006-9.

Appendix A

Financial Procedure Rules, reviewed and kept up to date by the Head of Resources and Commissioning, are included in the Constitution. These set out the rules for the control of and management of the Council's finances and assets. Throughout the year there has been a well established monthly financial management reporting system, with cost centre managers reporting to Accountancy and quarterly reports to the Executive

Performance management is the responsibility of the Councils Corporate Directors. Reports to the Councils Executive are produced on a quarterly basis.

4. Review of Effectiveness

West Berkshire Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Councils Corporate Directors have responsibility for the development, maintenance and review of the internal control framework. In effect the review is conducted on a continuous basis through the risk management framework that the Council has put in place.

The review has been informed by

- the work of the Internal Audit who report twice during the year, to the Executive, and provide an annual opinion on the effectiveness of the internal control environment
- the work of the Audit Commission,
- the work of other review agencies and inspectorates.
- The provision of Assurance Statements by all Council Heads of Service. These have been reviewed and agreed by the relevant Corporate Director and relevant Portfolio Holder
- The quarterly review of Strategic Risks by Corporate Board and Management Board is also supplemented by an annual review of "Red" operational (Service based) risks

We have been advised of the implications of the result of the review of the effectiveness of the system of internal control by the Authority and the Executive, and a plan to ensure continuous improvement of the system is in place.

Nick Carter
Chief Executive

Graham Jones
Leader of Council