

Title of Report:	Internal Audit – Annual Report	Item 4
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 June 2009	
Forward Plan Ref:	N/a	

Purpose of Report: To outline the outcomes of Internal Audit work for 2008-09 and provide an opinion on the internal control framework of the Council .

Recommended Action: Review and approve the annual report

Reason for decision to be taken: To support the Annual Governance Statement for the Council

Other options considered: None

Key background documentation: Internal Audit Reports

The proposals will also help achieve the following Council Plan Theme:

CPT16 - Excellent Performance Management

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:

Improving the governance arrangements of the Council

Portfolio Member Details

Name & Telephone No.:	Councillor Keith Chopping (0118)983 2057
E-mail Address:	kchopping@westberks.gov.uk
Date Portfolio Member agreed report:	15/6/09

Contact Officer Details

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Implications

Policy:	This report is prepared in support of the Council's Annual Governance Statement.
Financial:	none
Personnel:	none
Legal/Procurement:	none
Property:	none
Risk Management:	Weaknesses that are identified in audit reports are reviewed by the Risk Manager and relevant Head of Service and consideration given to the risk posed by each weakness to the Council.
Equalities Impact Assessment:	none

Executive Summary

1. Introduction

- 1.1 This report sets out the Annual Report on the work of Internal Audit as required by the CIPFA Code of Practice for Internal Audit in Local Government.

2. Proposals

- 2.1 This report is intended to provide evidence to support the Council's Annual Governance Statement by setting out the results of the work Internal Audit has done over the last year.
- 2.2 The report highlights the fact that no fundamental weaknesses were identified during the year and that where weaknesses were identified then management action has been taken to remedy those weaknesses.

3. Conclusion

- 3.1 The Council's internal control framework is robust.

Executive Report

4. Introduction

- 4.1 The CIPFA Code of Practice for Internal Audit in Local Government requires the “Head of Internal Audit” to make a formal report annually to the Council. The report should:
- include an opinion on the overall adequacy and effectiveness of the organisation’s risk management systems and internal control environment,
 - disclose any qualifications to that opinion, together with the reasons for the qualification,
 - present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies,
 - draw attention to any issues the “Head of Internal Audit” judges particularly relevant to the preparation of the statement on internal control,
 - compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria,
 - comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.
- 4.2 In addition to the formal annual report, the Head of Internal Audit should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the formal annual report. Quarterly reports are made to the Governance and Audit Committee.
- 4.3 This annual report meets the requirements of the CIPFA Code of Practice.

5. The Internal Control Framework

- 5.1 No fundamental weaknesses were identified in the work carried out by Internal Audit. Where audit work identified weaknesses then management action has been taken to resolve issues identified. Overall the internal control framework remains robust.
- 5.2 The following audits were rated weak during the year.

Service	Audit	Rating	Quarter
Education	Facilities Grant	Weak	4
Legal and Electoral	Land Charges	Weak	3
Finance	Webrisk	Weak	3
Planning and Trading Standards	Planning Obligations	Weak	1

5.3 The following follow up audits were rated as unsatisfactory

Service	Audit	Rating	Quarter
Planning and Trading Standards	Planning Obligations	unsatisfactory	4
Children	The Priory	unsatisfactory	2
Children	Riverside Youth and Community	unsatisfactory	2

5.4 The fact that the Council has responded quickly and effectively to the items of concern identified above provides further evidence of the robust nature of the system of internal control within the Council.

6. Results of work completed in the last quarter

6.1 A number of appendices are attached and provide more detail. These are

- (1) A listing of audit work that is presently underway (Appendix A1 and A2)
- (2) A listing of audits completed in the last quarter (ie Final report issued). The overall opinion is given with the number and severity of weaknesses identified. (Appendix B)
- (3) A listing of follow up work that is in progress (Appendix C)
- (4) A listing of follow up work completed in the last quarter, together with an opinion and a note of the number of recommendations that remain outstanding. (Appendix D)
- (5) Where we feel that unsatisfactory progress has been made with implementation of recommendations a copy of the memo to the Head of Service expressing our concerns and the action plan is attached for your information. (Appendix E).

6.2 The information contained in these appendices has been amended at the request of the Governance and Audit Committee to include, in Appendix A, details of the scope of each audit and timescales for completion of the work. Appendix A has been split to list work underway prior to the issue of the draft report A1 and work where the draft report has been issued A2.

7. Reports where the overall opinion was weak/very weak.

7.1 Appendix B notes one audit that was rated as weak. We have set out the concerns we have raised at the time of the audit with the Head of Service.

	<p>Facilities Grant</p> <p>Internal Audit opinion – January 2009</p>
	<p>a) The key focus of the review was to assess if the Council has an effective policy in place that is in compliance with the Trade Union agreement for providing relevant schools with funding to cover “back fill”. To investigate the appropriateness of the calculation used to reimburse schools for elected trade union representatives in respect of the current agreement and in comparison with alternatives. To ensure that facilities grant received by the relevant schools is being correctly applied and monitored to enable the appropriate amount of release time to be covered by supply teachers and to establish how surplus funding is being spent.</p> <p>b) Weaknesses identified were that the policy had not been reviewed since 1998 and is not widely circulated amongst relevant individuals. The reimbursement calculation itself was incorrectly applied resulting in seven of fifteen payments processed over a three year period being incorrect. There are no active monitoring arrangements in place for monitoring the spending of the grant monies within schools. The current policy does not contain guidance as to how the grant monies should be spent nor the processes by which WBC will monitor the spending of the grant and the Schools do not maintain formal records to substantiate how grant monies are being spent.</p>

	<p>Head of Service update / comments</p> <p>Ian Pearson – Head of Education & Rob O’Reilly – Head of HR</p>
	<p>a) The audit report has resulted in a new approach to allocation of funding to the teacher trade unions. The new approach is currently subject to consultation and may be raised by the unions at the JCP</p> <p>b) This will also be discussed at the Education Unions' meeting.</p>

8. Follow up work given an unsatisfactory opinion (copies attached)

8.1 The follow up of the Planning Obligations audit was rated as unsatisfactory.

	<p>Planning and Trading Standards / Finance – Planning Obligations</p> <p>Internal Audit opinion – February 2009</p>
	<p>a) The key focus of the review was to assess the adequacy of the governance arrangements for Developer Contributions to ensure that senior managers/members are provided with comprehensive information to keep them fully informed of the overall position of the fund together with contributions received, allocated to schemes, spend incurred and unallocated contributions.</p> <p>b) Progress has been made within Planning and Accountancy to improve the quality of data being recorded and a process has been established to provide individual managers with their scheme information. Planning and</p>

	<p>Accountancy have their own specific responsibilities in the recording of developer contributions data. However, neither service has overall ownership of the management of the contributions fund and it has not been determined who should be accountable.</p> <p>c) We found that the framework in place for the overall governance of the contributions fund has not improved. A 'Root and Branch' review of Capital took place at the end of last year which included the review of Member involvement in the development and monitoring of the Capital Programme as well as Management Board. At the time of the follow-up no decision had been made to agree the approach recommended in the Capital Review report.</p>
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	<p>Head of Service update / comments</p> <p>Gary Lugg – Head of Planning and Trading Standards / Andy Walker - Head of Finance</p>
	<p>a) The Governance of the Capital programme proposals going to Corporate Board on the 12th May include a recommendation to set up a s106 Group chaired by the Head of Planning and the membership will include the Portfolio Holder for Planning and will meet quarterly. This Group will report into the Capital Strategy Group and will strengthen the accountability of s106 contributions generally.</p> <p>b) A report was produced from the database in April detailing S106 Agreements on a parish by parish basis. This was sent to all Parish Councils and Ward Members.</p>

9. Performance of Internal Audit

9.1 Delivery of the audit plan was within target in the current year, 81% against a target of 80%. Staffing was an issue during 2008-09.

b) Continuing turnover of staff on the team means the experience base is relatively low at present. New untrained auditors require more supervision and take longer to complete work. The Senior Auditor who was responsible for the FMSiS audits of schools was on sick leave for most of the year. (This post is now vacant.) The table below illustrates the issue, with three members of the team with less than 2 years experience.

Position	Length of experience
Group Auditor	20 years plus
Group Auditor	4 years
Senior Auditor	6 years
Senior Auditor	Vacant
Auditor	8 years
Auditor	Less than 2 years
Auditor	Less than 2 years
Auditor	1 year

- 9.2 As a result a number of audits were not completed, or have rolled over into the present year. The audit team prioritised the work during the second half of the year to focus on high risk and key financial systems.
- 9.3 The Council is required, under the Accounts and Audit Regulations 2006, to carry out an annual review of the system of internal audit. This was carried out at the September meeting of the Committee, and indicated that Internal Audit comply with the requirements of the CIPFA Code of Practice for Internal Audit.

Appendices

- Appendix A – Audits underway
- Appendix B – Completed audits
- Appendix C – Follow ups underway
- Appendix D – Completed follow ups
- Appendix E – Results of follow up for Planning Obligations

Consultees

- Local Stakeholders:** Not consulted
- Officers Consulted:** Corporate Board
- Trade Union:** Not consulted

Directorate/Service /Audit Title	key risks being covered	Audit Plan/Year (planned report issue date)	Current Position of Work (revised report issue date)
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Chief Executive

Finance			
General ledger	<ul style="list-style-type: none"> To ensure that day to day budget transaction processing is complete and accurate. We will also review the effectiveness of the data uploads from feeder systems onto Agresso. 	2008/9 (end of March 2009)	Testing (end of May 2009)
National Fraud Initiative	<ul style="list-style-type: none"> Review of data matches highlighted by the Audit Commission's mandatory data matching exercise. 	Ongoing (Audit Commission require results by January 2010)	Investigating matches (January 2010)
Income collection spot check – Hungerford Library	<ul style="list-style-type: none"> Misappropriation of income/ineffective record keeping of income transaction. 	2008/9 (date N/A)	Findings being drafted (end of May 2009)
Income Collection spot check – Hungerford Day Centre	<ul style="list-style-type: none"> Misappropriation of income/ineffective record keeping of income transaction. 	2008/9 (date N/A)	Findings being drafted (end of May 2009)
Income Collection Spot Check – Walnut Close Day Centre	<ul style="list-style-type: none"> Misappropriation of income/ineffective record keeping of income transaction. 	2008/9 (date N/A)	Findings being drafted (end of May 2009)

Exchequer & Benefits			
NNDR	<ul style="list-style-type: none"> • To ensure that the Council has a complete, accurate and up-to-date list of the non-domestic premises in its area. • To ensure that there are adequate procedures in place for the processing and recording of reliefs and refunds. • To ensure that bill production is accurate, complete and within the prescribed timetable. • To ensure that procedures are in place to collect all monies owed, efficiently and promptly and that systems to deal with bad debts are in place and followed by staff. • To ensure that there is a regular reconciliation undertaken between SX3 and the Council's general ledger. 	2008/9 (end of February 2009)	Being reviewed (end of May 2009)
Council Tax	<ul style="list-style-type: none"> • To ensure that the Council has a complete, accurate and up-to-date list of premises in its area. • To ensure that there are adequate procedures in place for the processing and recording of discounts and exemptions. • To ensure that bill production is accurate, complete and within the prescribed timetable. • To ensure that procedures are in place to collect all monies owed, efficiently and promptly and that systems to deal with bad debts are in place and followed by staff. • To ensure that refunds of Council Tax are carried out in accordance with the regulations and the Council's procedures. 	2008/9 (end of May 2009)	Being reviewed (end of May 2009)

<p>Housing Benefits</p>	<ul style="list-style-type: none"> • To ensure that there is an effective framework in place for the administration of housing benefits which is in accordance with DWP guidance. • To ensure that there are reconciliations between rent rebates recorded on SX3 and payments made, together with a reconciliation between Council Tax Benefit recorded on the Council Tax system compared with the information recorded on the Housing Benefit System. 	<p>2008/9 (end of May 2009)</p>	<p>Testing (June 2009)</p>
<p>Accounts Receivable</p>	<ul style="list-style-type: none"> • To ensure that payment terms are supported by adequate documentation and the associated debt collection is monitored. • To ensure that there are effective procedures in place for the managing and monitoring of debts. • To ensure that the Cash Receipting System is reconciled to Agresso (Accounts Receivable Module) on a regular basis and the control account is reviewed and cleared on a regular basis. • To ensure that there is a formalised system for the approval and processing of write-offs from the Accounts Receivable System. 	<p>2008/9 (end of December 2008)</p>	<p>Being reviewed (May 2009)</p>
<p>Payroll/Travel Expenses</p>	<ul style="list-style-type: none"> • To ensure that payroll/travel and subsistence expenditure incurred is appropriate and accurate. <p>In order to assess this we will review the following:-</p> <ol style="list-style-type: none"> a) Appropriate system parameters have been defined and set up and access to amend these is restricted. b) Processes to validate the accuracy/completeness of data input have been set up (system design/manual processes/exception reports). c) Sample checks to review the accuracy of employees' car status details input/transferred from the old system/original records onto ResourceLink/MyView. 	<p>2008/9 (end of December 2009)</p>	<p>Testing (June 2009)</p>

	<p>d) Sample checks of recent payroll/travel and subsistence transactions to validate the accuracy of data input/parameter amendments.</p> <p>e) The processes and controls for managing the rolling out of the self service facility MyView (electronic processing of expense and travel claims) across the Council.</p>		
Human Resources			
Absence Management	<ul style="list-style-type: none"> To ensure that staff absenteeism is recorded/monitored/controlled in accordance with the requirements of the Council's Management of Sickness Absence Policy and procedures. To ensure that ResourceLink is effectively utilised in recording, monitoring and reporting staff absences. 	2008/9 (end of May 2009)	Testing (May 2009)
Property Services			
Commercial Rents	<ul style="list-style-type: none"> There is compliance with policies, procedures, legislation and insurance requirements and assets and resources are adequately safe guarded. There is an appropriate scheme of delegation incorporating adequate separation of duties, and sufficient communication between departments. Risks are identified and appropriately managed i.e. rent reviews are carried out in accordance with leases, rent arrears are identified and recovered and this is completed in an appropriate manner and void property is appropriately managed. Reliability and integrity of information is maintained i.e. that all commercial property is identified and recorded, all tenants are identified and recorded lease agreements are in place and are in line with current legislation, policies and procedures. 	2008/9 (end of March 2009)	Drafting report (May 2009)

<p>Building Maintenance</p>	<ul style="list-style-type: none"> • To ensure that a Maintenance programme is in place and followed for all Planned Maintenance, which is a result of appropriate Condition Surveys. The results of the Condition Surveys are documented in the Asset Management Plan and Property Maintenance Registers and communicated effectively and incorporated into the Capital Programme as required. • To ensure compliance with the Authority's Disability Access policy and Disability Discrimination Act and a Disability Access Improvement Register is in place. The disability access issues are built into the Planned Maintenance programme. • To ensure that the Council are complying with Asbestos statutory regulations and the Corporate Property Asbestos Register is managed and up to date. • To ensure that there is compliance with external/internal policies and procedures, including the Council's Contract Procedure Rules and Financial Procedure Rules together with European Legislation (Tendering). • To ensure that Contractors/Suppliers used are engaged in work in accordance with the Tender Specification; that the appropriate contract documentation is in place, and that efficient procedures exist to regularly monitor and review the Contractors for quality and price. • To ensure that fire risk assessments are regularly carried out on all council owned properties in accordance with statutory regulations, and recommendations are built into the Planned Maintenance programme. • To ensure statutory regulations are being met on Service Contracts, and that regular checks are undertaken and a database is managed effectively. • To ensure that Reactive Maintenance is undertaken in a timely manner and a database is maintained to track work in progress/complete. 	<p>2008/9 (end of November 2008)</p>	<p>Drafting report (June 2009)</p>
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	<ul style="list-style-type: none"> To ensure that budgets are monitored, controlled and communicated with the budget holders in an efficient manner. 		
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Children & Young People

Children's Services			
Foster Care	<ul style="list-style-type: none"> All foster carers have suitability assessments when recruited, ongoing reviews and training to ensure they are appropriate for the role. Independent approval is sought prior to the applicants undertaking their roles, and relevant character and police checks are also performed. Adequate systems and strategies are in place to cope with altering service requirements. This includes advertising the role of foster carers. Foster allowances are accurate, authorised and correctly paid and recorded. Payments to foster agencies are accurate, authorised and correctly coded. Management information is timely, accurate and complete. This includes budgetary information. 	2008/9 (end of January 2009)	Drafting report (May 2009)
Agency Staff	<ul style="list-style-type: none"> To ensure that agencies utilised have been vetted, approved and are included on the Council's list of "accredited suppliers". To ensure that agency staff are appointed following a proper approval process including the appropriate level of CRB disclosure, PoCA and PoVA checks, references and eligibility to work in the UK. To ensure that agency staff have the necessary skills, experience and guidance required for the position to which temporary cover is required. To ensure that hourly rates are paid in accordance with the terms and conditions of the agreement with the agency and that invoices/timesheets are properly authorised. 	2008/9 (end of January 2009)	Drafting report (April 2009)

	<ul style="list-style-type: none"> To ensure that adequate budgetary control arrangements are in place to monitor both commitments and actual expenditure. 		
Education			
Extended Schools	<ul style="list-style-type: none"> To ensure that Extended Schools Services have in place adequate measures for the introduction of the service in line with legislation, policies and procedures. To ensure that the council has sufficient framework in place regarding the provision of Extended Schools Services and also for monitoring and management of the services/activities being provided. To ensure that the there is; <ul style="list-style-type: none"> a sufficient monitoring process in place to ensure the correct financial administration of Extended Schools funding adequate separation of the finances of extended schools from main school budgets 	2008/9 (end of November)	Audit put on hold and picked up in February 2009 – testing (June 2009)

Community Services

Adult Services			
Assessment of Need /Purchase of Care (Learning Disability/Mental Health)	<ul style="list-style-type: none"> To ensure that the Council has an effective assessment framework in place that is in compliance with Legislation and Department of Health Guidance. To ensure that clients needs are assessed at the required frequency and that this information is recorded accurately and promptly on the Client database (RAISE), and is reflected in the level of care being provided. To ensure that there are standard procedures in place for the selection of providers, and that this takes into account value for money. 	2008/9 (end of February 2009)	Audit put on hold – picked up again April 2009 (end of June 2009)

Cultural Services			
Shaw House (Advisory review)	<ul style="list-style-type: none"> To ensure that there is an effective framework in place to ensure that the main aims, objectives and business benefits as defined in the grant business case are achieved. To ensure that the budget is effectively managed and income opportunities are maximised. To ensure that effective procedures are in place supporting the day to day processes and key activities of the facility to ensure that there are effectively managed and in accordance with the Council's Contract and Financial Rules of Procedure. We will review the following areas:- 	2008/9 (end of May 2009)	Testing (May 2009)
Libraries Purchasing (Advisory review)	<ul style="list-style-type: none"> To ensure that there are adequate procedures and processes in place for the effective management of procuring stock for the libraries service. To ensure that prior to the new system going live data conversion reconciliations took place. 	2008/9 (end of September 2008)	Drafting Report (May 2009)

Environment

Highways			
Car Parks	<p>To ensure that:-</p> <ul style="list-style-type: none"> system is operated in accordance with West Berkshire Council's approved policies, standing orders and financial regulations; that all car parks income is collected, counted and banked promptly and in tact; that excess charges notices are appropriately issued and followed up, with any cancellations being supported by adequate and appropriate documentation; 	2007/8 (end of October 2007)	Put on hold testing re started in January 2009. (June 2009)

	<ul style="list-style-type: none">• that season tickets and parking permits are issued in accordance with West Berkshire Council policies and procedures;• there is an up to date inventory of car park equipment and maintenance is regularly undertaken.		

Directorate/Service	Audit Title	Audit Plan/Year (actual report issue date)	(expected finalisation date)
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Chief Executive

ICT	I.T. Security	2008/9 (April 2009)	May/June 2009
Finance	Fixed Asset Register	2008/9 (April 2009)	May/June 2009
Human Resources	Recruitment	2008/9 (March 2009)	May 2009
Benefits and Exchequer/Finance	Ordering/Processing of Invoices (Agresso)	2008/9 (February 2009)	May 2009
Benefits and Exchequer / Human Resources	Payroll	2007/8 (December 2008)	May 2009

Children & Young People

Education	Child Protection	2008/9 (December 2008)	May 2009
Education	Home to School Transport	2008/9 (January 2009)	April 2009
Children's Services	Purchasing of Residential Care	2008/9 (February 2009)	April 2009
Children's Services	Adventure Dolphin	2008/9 (December 2008)	April 2009

(4th Quarter 2008/9)

Directorate/Service	Audit Title	Date finalised	Overall Opinion	Agreed Recommendations (no.s per category of weakness and total)				
				Total	Fundamental	Significant	Moderate	Minor
Chief Executive								
Finance	Treasury Management	23/03/2009	Very Well Controlled	3				3
Children and Young People								
Education	Facilities Grant	21/01/2009	Weak	9	1	7	1	0
Community Services								
Housing and Performance	Data Security	14/04/2009	Advisory review (no recommendations made)					

NOTE

The overall opinion is derived from the number/significance of recommendations together with using professional judgement. The Auditor's judgement takes into account the depth of coverage of the review (which could result in more issues being identified) together with the size/complexity of the system being reviewed.

Internal Audit Quarterly Report – List of Follow up work commenced
Internal Audit Committee 2019-2020 - Reports

Appendix C

Directorate/Service	Audit title
Chief Executive	
Finance	General Ledger
Finance	Fixed Asset Register
Benefits and Exchequer	NNDR
Benefits and Exchequer	Housing Benefits
Benefits and Exchequer	Council Tax
Benefits and Exchequer	Accounts Payable
Children and Young People	
Community Services	
Housing and Performance	Social Work Fund Administration
Housing and Performance	Four Corners Gypsy Site
Environment	

Quarter 4

<u>Directorate/Service</u>	<u>Audit Title</u>	<u>Date finalised</u>	<u>Overall Opinion of Report</u>	<u>Opinion – Implementation progress</u>	<u>No. of Agreed Recommendations</u>	<u>Recommendations not fully implemented (no.s per category and total)</u>				
						Total	Fundamental	Significant	Moderate	Minor
Chief Executive										
Finance	Treasury Management	23/03/09	Very Well Controlled	Satisfactory	2	1				1
Benefits & Exchequer	Cash Office	01/04/09	Satisfactory	Satisfactory	7	6			2	4
Children and Young People										
Community Services										
Environment										
Planning and Trading Standards	Planning Obligations	13/02/09	Weak	Unsatisfactory	11	7			7	

MEMORANDUM

To: Gary Lugg – Head of Planning and Trading Standards
Andy Walker – Head of Finance

Contact: Radka Pearman - Senior Auditor

Cc: Simon Freeman – Finance Manager
Bob Watson - Group Accountant, Capital and Treasury Team
Caroline Walsh – Special Projects Officer
Ian Priestley – Assurance Manager
John Ashworth – Corporate Director, Environment
Nick Carter – Chief Executive
Cllr. Alan Law – Portfolio Member for Planning and Housing
Cllr. Laszlo Zverko – Portfolio Member for Finance

From: Julie Gillhespey – Group Auditor
Extn: 2859

Extn: 2455
Date: 13th February 2009

Re: Planning Obligations – Follow up audit review

We recently completed a follow up of our audit review of Planning Obligations, the report for which was finalised in April 2008. The overall audit opinion for the report was weak.

For your information, where an audit report identifies a weakness we are required to provide a copy of the report/follow-up review to the Portfolio Member for Finance and the Portfolio Member for the relevant service area.

From the total of 11 agreed recommendations, we found that 4 have been fully implemented, 2 have been partially implemented and 2 recommendations are work in progress. The remaining 3 recommendations have not been implemented.

The 3 outstanding recommendations are all moderate weaknesses. In relation to the outstanding points, one was the responsibility of Accountancy to implement (recommendation 1), two were the responsibility of Planning (recommendations 8 and 9).

At the time we commenced the follow-up (November 08) Accountancy was in the process of updating the Developer Contributions Database with scheme allocations and actual expenditure incurred. This process was completed by the end of December.

We were informed by Accountancy that they had not been able to update the database as promptly as had previously been envisaged due to staff shortages within the team responsible for this task.

At the meeting to discuss our draft findings, we were informed that now that the Database has been updated for allocations and expenditure, regular updates on the position of the developer contributions fund will be produced for the budget holders/scheme managers/senior managers and members (Recommendations 8 and 9).

The key focus of our original review was to assess the adequacy of the governance arrangements for Developer contributions and the provision of comprehensive data for senior management/members to be kept fully informed of the overall developer contribution fund. Progress has been made within Planning and Accountancy to improve the quality of data being recorded and a process has been established to provide individual managers with their scheme information. Planning and Accountancy have their own specific responsibilities in the recording of developer contributions data. However, neither service has overall ownership of the management of the contributions fund and it has not been determined who should be accountable for the fund.

We found that the framework in place for the overall governance of the contributions fund has not improved. A 'Root and Branches' review of Capital took place at the end of last year which included the review of Member involvement in the development and monitoring of the Capital Programme as well as Management Board. At the time of the follow-up no decision had been made to agree the approach recommended in the Capital Review report.

Taking into account the significance of the points that had not been addressed at the time of completing this review we have given this follow up an '**unsatisfactory**' rating.

We are required to report on progress made in implementing agreed recommendations in our reports to **Corporate Board and Members**.

For your information we have attached a copy of the action plan, with progress to date highlighted in bold.

If you require any further information regarding the content of this memo please let me know.

Julie Gillhespey
Group Auditor

Follow up Action Plan –Planning Obligation

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments / Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
<p>1) We recommend that the role / responsibility of service areas for the allocation of contributions to schemes and the utilisation of expenditure needs to be clearly defined / recorded.</p> <p>links with recommendation 8</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p>At the time of the follow-up, we were provided with a copy of some guidance that had been compiled covering the administration of the capital programme. This guidance includes information on the developer contributions holding account and the process for requesting a scheme allocation. From review we found that although the content is still relevant, it needs to be expanded upon and service areas need to be made aware of its existence.</p> <p>NOT IMPLEMENTED</p>	<p>Capital Group Accountant / Head of Finance</p> <p>Within 4 months</p>
<p>2) We recommend that there should be a responsible body established for overseeing / monitoring the Developer Contribution fund, this body should consist of members as well as senior officers.</p> <p>The roles and responsibilities should be identified and detailed in the group's terms of reference.</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p>Corporate Board agreed to the following:-</p> <p>A sub-group of the Capital Group needs to be established and this group will have specific responsibilities for overseeing the Developer Contributions fund. The Group needs to have member involvement.</p> <p>The Head of Finance has been given the responsibility for the implementation of this recommendation.</p> <p>Work is currently taking place to strengthen the Council's framework for capital planning. The Finance Manager has drafted a report to The Transformation and Efficiency Board (TEB) covering proposals for a change in approach to Capital Planning. The intention is to create stronger links with Asset Management, the compilation of the Capital Programme and the MTFs.</p>	<p>Head of Finance</p> <p>Within 4 months</p>

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments / Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
			<p>The report has been presented to Corporate Board and Management Board. However, at the time of this follow-up no decision had been made to adopt the approach recommended in the report. A further meeting to discuss this with Corporate Board is taking place on 24th February.</p> <p>WORK IN PROGRESS</p>	
<p>3) We recommend that the requirement to carry out a reconciliation between Agresso (holding account X584W) and the Developer Contributions database should be fully documented, it should specify which service is responsible for the function together with the frequency it should be carried out.</p> <p>The reconciliation should cover three key elements:-</p> <p>a) Contributions received b) Allocations c) Spend</p>	Moderate / Necessary	Agreed	<p>Links with Rec. 11</p> <p>It was previously agreed that Planning would be responsible for reconciling Agresso and the Contributions Database for contributions received, and Accountancy would update the Developer Contributions Database for scheme allocations and expenditure incurred.</p> <p>At the meeting held to discuss the draft findings, the responsibilities for updating the database as outlined above were confirmed. However, the Finance Manager/Group Accountant expressed concerns over the level of staffing resource available to be able to maintain this process. The process will be documented as part of implementing recommendation 1.</p> <p>IMPLEMENTED</p>	<p>Head of Planning and Trading Standards / Head of Finance</p> <p>Within 4 months</p>
<p>4) We recommend that Corporate Board need to determine whether they agree with the £50,000 authorisation threshold for Developer Contribution fund transfers (or whether they wish to revert to the previously agreed process requiring portfolio member approval for all transfers). Once approved this needs to be formally documented.</p>	Minor / Advisory	Agreed	<p>Corporate Board agreed to the following:-</p> <p>Members need to be aware of/approve all Developer Contributions fund transfers.</p> <p>This will be coordinated through the newly formed Developer Contributions Group (see Recommendation 2).</p>	<p>Head of Finance</p> <p>Within 4 months</p>

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments / Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
Links in with recommendation 2			<p>The Head of Finance has been given the responsibility for the implementation of this recommendation.</p> <p>The form requesting the transfer of developer contribution funds to a scheme has been revised to require approval of the portfolio member in all cases.</p> <p>IMPLEMENTED</p>	
<p>5) We recommend that trend analysis information and future prediction reports are produced to assist with the budget / capital work planning and refresh of the MTFS. At a minimum the following information should be provided:-</p> <p>a) overall growth in the level of contributions expected to be paid / prediction on future income cashflows based on known applications;</p> <p>b) overall growth in the level of allocated / unallocated funds received;</p> <p>c) variance between planned and actual expenditure / levels of slippage and impact on future year's planned expenditure.</p> <p>The reports should be produced at least annually.</p> <p>This information should be submitted to the group identified as having overall responsibility for monitoring the developer contribution fund.</p> <p>(links with recommendation 2)</p>	Moderate / Necessary	Agreed	<p>In relation to point a) we were informed that it would be difficult to estimate the level of contributions that may be received in forthcoming years (due to the uncertainty of when a development may commence etc).</p> <p>It was agreed to have a look at the level of information available on the database for point a) to see how useful it could be.</p> <p>The Group Accountant responsible for Capital and Treasury Management commented that rather than using the trend analysis, a better system would be to predict future income cashflows based on known applications, tempered by known changes in legislation and S106 Policy. We were informed that the above information is collated and factored into the compilation of returns on capital (CFR and CER).</p> <p>WORK IN PROGRESS – links to recommendation 2</p>	<p>Developer Contributions Officer / Capital Accountant</p> <p>Within 4 months of implementation of recommendation 11</p>

Appendix E

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments / Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
<p>6) We recommend that discussions should be held between Accountancy and Planning to agree the approach for recording expenditure on the database (the frequency needs to be established).</p> <p>The agreed approach should be formally documented for future reference.</p>	Moderate / Necessary	Agreed	<p>We were informed that this has been agreed, and Accountancy will be updating the Developer Database quarterly.</p> <p>At the time of the follow-up Accountancy had just completed this task.</p> <p>IMPLEMENTED</p>	<p>Head of Planning and Trading Standards / Head of Finance</p> <p>Within 3 months</p>
<p>7) We recommend that all services responsible for utilising S106 contributions are provided with regular information covering payments received, funds allocated to capital projects, unallocated and spend to date.</p> <p>The following areas need to be considered and agreed:-</p> <p>i) where the information is held / what system should be the prime source of information (the Contributions Developer database, Accountancy's spreadsheet or both);</p> <p>ii) the frequency of updates;</p> <p>iii) the responsibility for this function / frequency of provision of data.</p>	Moderate / Necessary	Agreed	<p>Once the Developer Contributions Database is updated with the expenditure, the Developer Contributions Officer will provide the service areas with reports.</p> <p>Reports have not been regularly produced from the database and provided to services as the database had not been updated to reflect actual expenditure.</p> <p>Whilst discussing our follow-up we were informed that 'key players' in the service areas have been regularly supplied with reports through their monthly capital reporting process.</p> <p>We were also informed that now the database has been updated for allocations and spend, regular reports (quarterly) will be produced from the contributions database.</p> <p>PARTIALLY IMPLEMENTED</p>	<p>Head of Planning and Trading Standards / Developer Contributions Officer / Capital Group Accountant / Capital Accountant</p> <p>Within 3 months</p>
<p>8) We recommend that Senior Managers / Members are made aware of contributions where there are deadlines for utilising the funds, and they ensure that services have planned for those funds to be allocated to projects / and will be spent within the deadline.</p> <p>(links with recommendation 2)</p>	Moderate / Necessary	Agreed	<p>We were informed by the Developer Contributions Officer that the Highways Service was provided with a report of contributions received with 'spending time limits'. The report was provided in response to a specific request made in September 2008.</p> <p>We were also informed that a lot of work has been done by the Highways Service and many contributions had been applied in 08/09.</p>	<p>Developer Contributions Officer</p> <p>Within 4 months</p>

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments / Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
			<p>We conclude that this recommendation has not been implemented, as scheme managers / senior managers and Members have not been provided with regular information on the utilisation of planning contributions.</p> <p>Whilst discussing our draft findings we were informed that now the database is up-to-date (allocations and spend recorded), regular reports will now be produced for budget holders/scheme managers.</p> <p>NOT IMPLEMENTED</p>	
<p>9) We recommend that Senior Managers / Members are provided with regular updates on the position of the S106 Contribution Holding Account, which provides an analysis of unspent contributions / date of receipt.</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p>As per recommendation 8.</p> <p>NOT IMPLEMENTED</p>	<p>Developer Contributions Officer</p> <p>Within 4 months</p>
<p>10) We recommend that management reports are regularly produced (at least quarterly) and reviewed by Senior Officers / Members, by service area - the level of contributions received, allocated, unallocated and S106 expenditure incurred.</p> <p>Links with recommendation 2</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p>The Developer Contributions Officer prepared a report for Management Board informing them of the financial position as at the end of 2007/08.</p> <p>We suggest that the reports are produced on a more regular basis.</p> <p>PARTIALLY IMPLEMENTED</p>	<p>Developer Contributions Officer / Capital Accountant</p> <p>Within 4 months</p>
<p>11) We recommend that a reconciliation should be carried out between the holding account balance information on the developer contributions database and on Agresso as soon as practicable.</p> <p>Depending on the significance of the difference identified, a decision needs to be made as to whether to commit resources to investigate them or to write them off.</p>	<p>Moderate / Necessary</p>	<p>Agreed</p>	<p>The Capital Accountant is in the process of updating the Developer Contributions database. Accountancy intend to reconcile the database to Agresso as at the end of 2007/8 (to be undertaken by the end of May 2008).</p> <p>The Finance Manager informed us that due to the lack of staffing resource the reconciliation has not been undertaken as promptly as anticipated. A reconciliation is currently</p>	<p>Capital Accountant</p> <p>Accountancy intends to reconcile the database to Agresso as at the end of 2007/8 (to be undertaken by the end of May 2008).</p>

Appendix E

<u>Recommendation</u>	<u>Weakness/ Significance</u>	<u>Agreed/ Not Agreed</u>	<u>Client Comments / Progress to date (highlighted in bold)</u>	<u>Responsible Officer/ Timescale for Implementation</u>
<p>Whatever decision is taken this needs to be formally documented and approved by Senior Officers/members.</p> <p>Also links in with recommendation 3 - need for regular reconciliations.</p>			<p>underway, with the intention of this being completed before Christmas.</p> <p>This will then be carried out at least quarterly from December 08.</p> <p>IMPLEMENTED</p>	

	Category of weakness		Significance
Fundamental	May result in a complete breakdown of the service and or fraud or other irregularity	Mandatory	For statutory, council regulations or service instructions fundamental control weaknesses
Significant	May result in a breakdown in the service and or fraud or other irregularity	Necessary	For Significant or moderate control weaknesses
Moderate	May result in some impact on the service	Advisory	For minor control weaknesses or efficiency improvements
Minor	Limited impact on the service		

Title of Report:	Presentation of the 2008-09 Financial Statements	Item 5
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 June 2009	
Forward Plan Ref:	N/a	

Purpose of Report: To provide Members with the financial statements presented for external audit for the financial year 2008-09.

Recommended Action: To approve the financial statements.

Reason for decision to be taken: It is a statutory requirement.

Other options considered: None

Key background documentation: None

The proposals will also help achieve the following Council Plan Theme:

CPT13 - Value for Money

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:
Raising awareness with Members about the financial statements at year end.

Portfolio Member Details	
Name & Telephone No.:	Councillor Keith Chopping - (0118) 983 2057
E-mail Address:	kchopping@westberks.gov.uk
Date Portfolio Member agreed report:	19/06/09

Contact Officer Details	
Name:	Andy Walker
Job Title:	Head of Finance
Tel. No.:	01635 519879
E-mail Address:	awalker@westberks.gov.uk

Implications

Policy:	Financial statements have been produced in accordance with the statutory accounting guidance as outlined in the CIPFA SORP (Statement of Recommended Practice).
Financial:	Contained within the report.
Personnel:	n/a
Legal/Procurement:	n/a
Property:	n/a
Risk Management:	Insofar as is possible any risks have been assessed in accordance with the Risk Strategy.
Equalities Impact Assessment:	n/a

Executive Summary & Report

1. Introduction

- 1.1 The Council is required to present its financial statements to members for approval by the 30th June 2009.
- 1.2 The financial statements have been produced in accordance with the statutory accounting guidance as outlined in the CIPFA SORP (Statement of Recommended Practice).
- 1.3 The financial statements (attached as appendix A) are presented in draft format as these have yet to be audited by the external auditors, KPMG. Once the audit has been completed, KPMG will offer an opinion on the financial statements, and at this point, the accounts will be finalised. KPMG have until the 30th September 2009 to present the findings of the audit to those charged with governance, for West Berkshire Council, this is the Governance and Audit Committee.

2. Proposals

- 2.1 To comment on, and approve, the financial statements

3. Conclusion

- 3.1 For the Governance and Audit to review the financial statements and scrutinise these at its meeting on the 29th June 2009.

Appendices

Appendix A – Draft financial statements for 2008-09 – *(to follow - these accounts will be emailed to Members on Wednesday the 24 June 2009 and hard copies placed in their bags)*

Consultees

Local Stakeholders: To be consulted as part of audit arrangements.

Officers Consulted: Corporate Board

Trade Union: n/a

West Berkshire Council

Draft Financial Statement of Accounts 2008-09

At the date of publication the external auditor, KPMG, has not given an opinion on these. KPMG plan to complete their audit between July and September 2009 in line with audit deadlines.

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Introduction to West Berkshire

West Berkshire is an administrative area of 704 square kilometers containing extensive rural areas; 74% of the land area lies within the North Wessex Downs Area of Outstanding Natural Beauty (AONB). There are two main urban areas, the towns of Newbury and Thatcham and the urban areas of Tilehurst and Calcot to the west of Reading.

Rural West Berkshire is a large and diverse area which contains a number of larger towns and villages, including Hungerford, Lambourn and Kintbury in the west and Pangbourne, Burghfield Common and Mortimer to the east. There are a large number of smaller village communities throughout the area.

The District occupies a strategic position where the East-West M4 corridor intersects the North-South route of the A34. There are mainline railway services to London and good connections to nearby larger centres such as Reading, Oxford, Swindon and Basingstoke. These factors, combined with the high quality urban and rural environment within the district, have contributed to a thriving economy, making the area a popular place to live and work. People in West Berkshire enjoy better health and lower crime rates than the national average. Levels of educational attainment are high. House prices in West Berkshire are among the highest in the UK and the provision of affordable housing to meet local needs, particularly for young people and key workers is one of the Council's priorities.

There are 84 schools in West Berkshire and the area is known for its high educational standards. Community Care, Children and Young People are high on the community agenda and the local Social Services have retained 3 star status from the Commission for Social Care Inspection.

West Berkshire has a strong industrial base, characterised by new technology industries with a strong service sector and several manufacturing and distribution firms. The strong industrial base is characterised by new technology industries such as Vodafone, which has its headquarters in Newbury. West Berkshire is home to a number of national and international companies, as well as defence establishments.



Explanatory Foreword

Financial position at WBC

The 2008-09 financial year was perhaps one of the most turbulent years seen for a long time in the UK economy. This also had an impact on the Council's finance's as income streams were reduced, and the change in inflationary figures exerting pressures and opportunities for the council's finances. Overall, the Council's budgeting has remained robust with a year end position of £351k overspent against budget, with £350k of this amount being taken from the risk fund, as per the decision from the Executive. A reconciliation between the provisional outturn report taken to Executive and the position in the financial statements is included in note 6.

The Council currently maintains a general fund reserve of just under £7m. This represents a sound level of reserves for an authority of this size in comparison with net expenditure.

Explanation of the following statements

The financial statements show the summary of the 2008-09 financial activity at the Council as at 31st March 2009. The financial statements are closely linked to a variety of other corporate documents, in that the statements demonstrate where resources were spent in helping to achieve the Council Plan and the Sustainable Community Strategy, amongst various other strategies. The statements are also aligned with the MTFs (Medium Term Financial Strategy) and the revenue budget papers for 2008-09. All of these can be found on the Council's website.

The financial statements consist of a variety of statements and notes that outline the Council's financial position as at the 31st March 2009. The Council is required to compile the statements in accordance with UKGAAP and the CIPFA's SORP.

The statements include primary financial statements which must be presented within the accounts as set out by statute; these are the Income and Expenditure Account (I&E), the Statement on the Movement in General Fund (SMuGFuB), the Statement of Recognised Gains and Losses (STRGL), the Balance Sheet and the Cashflow statement. Allied to these statements the Council also produces the Collection Fund statement which sets out the amount of Council Tax and business rates collected during the year.

Included in the financial statements are also a variety of notes to help explain some of the more complex and high value items in the accounts. The Council must also set out the accounting policies used, and the Annual Governance Statement.

The I&E account, and SMuGFuB set out the council's financial performance for the year. The I&E is presented in accordance with CIPFA's SORP and looks very different to the budget monitoring reports provided throughout the year. This is because, for comparability purposes with other Councils, the Council must complete

the I&E in a mandated fashion that bears very little resemblance to the management reports.

The I&E is broken down to gross expenditure and income, and is compiled on a total costs basis; i.e. this includes both capital and revenue expenditure. There has been a significant increase in the net cost of services, though a large amount of this is due to changes to funding arrangements. In 2008-09, for the first time, local authorities have received Area Based Grant (ABG), and for WBC this totalled nearly £7m (see note 5 to the accounts). There have also been significant additional costs in respect of the actuarial review on the return for pensions assets (this is a notional amount that is not an 'actual' charge to council taxpayers) and has seen a swing of over £2.5m from the 2007-08 financial year. The council also received an additional £2.5m of income in respect of formula grant for 2008-09, compared with 2007-08 mainly due to a number of social care specific grants being transferred into formula grant. As the net cost of services are presented on a total cost basis there are also variations according to additional capital and revenue grants received.

This year has seen a significant number of impairments, where the value of the Council's fixed assets have decreased by £14.4m. This is the first year that there has been a significant impairment, and is not surprising given the wider economic circumstances. However, this should be viewed against the total size of fixed assets that the Council controls, which is some £419m.

The Pension Fund is administered by the Royal Borough of Windsor and Maidenhead (RBWM) on behalf of the other Berkshire unitary councils. The RBWM provide the council with a variety of notes and figures to be included within West Berkshire Council's financial statements. Note 16 provides further detail of these notes. Overall, the current pension liability in the Council's financial statements is £79.4m. In 2004-05, this liability stood at £18.2m.

There has been a significant change to the accounting policies used in the financial statements. The waste contract, signed at the end of the 2007-08 financial year, has changed the accounting policies used. There is a relatively small effect on the 2008-09 accounts as this is currently treated 'off-balance sheet'; however, with the advent of IFRS (International Financial Reporting Standards) compliance for PFI accounting in 2009-10, there will be further changes to PFI accounting and other statements with the introduction of IFRS in future statement of accounts.

The Council has a significant capital programme, and this is funded via a variety of sources. Note 20 explains where the sources of funded are derived, and lists some of the major capital projects that have been undertaken during the financial year. The Council does have some debt with the PWLB (Public Works Loans Board) of just over £20m that is paid back over a variety of terms.

The Council's performance

The Council has continued to perform well in external assessments throughout 2008-09. In the final round of CPA (Comprehensive Performance Assessment) the Council was rated as 3 stars, and improving strongly. As part of the Council's CPA assessment, West Berkshire scored a 3 overall for its Use of Resources, but

obtained a 4 for Value for Money, and a 3 for financial reporting, for the first time. The Council also continued to perform strongly in CSCI (Commission for Social Care Inspection) and Ofsted inspectorate reports.

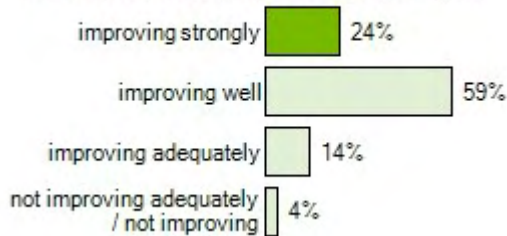
Figure 1.1 – Audit Commission summary for West Berkshire Council

This is a council that is **improving strongly** and demonstrating a **3 star** overall performance.



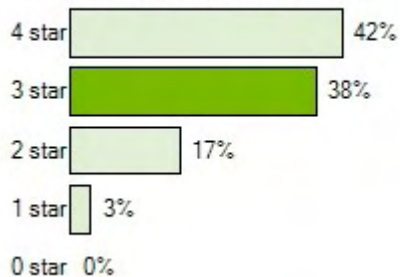
Improving Strongly

Direction of travel against other councils



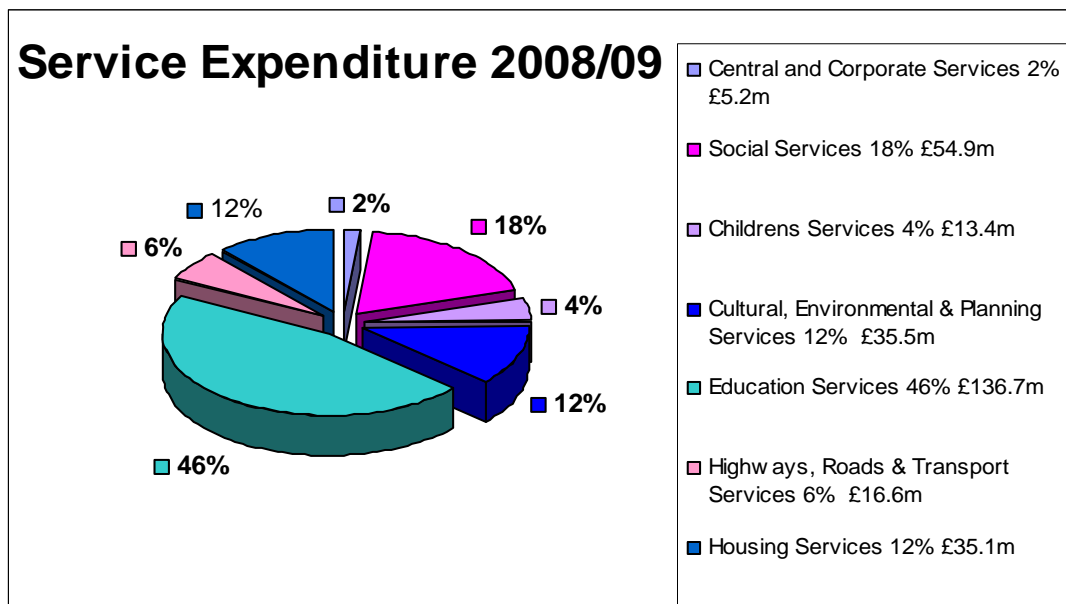
Three star performance

Performance against other councils

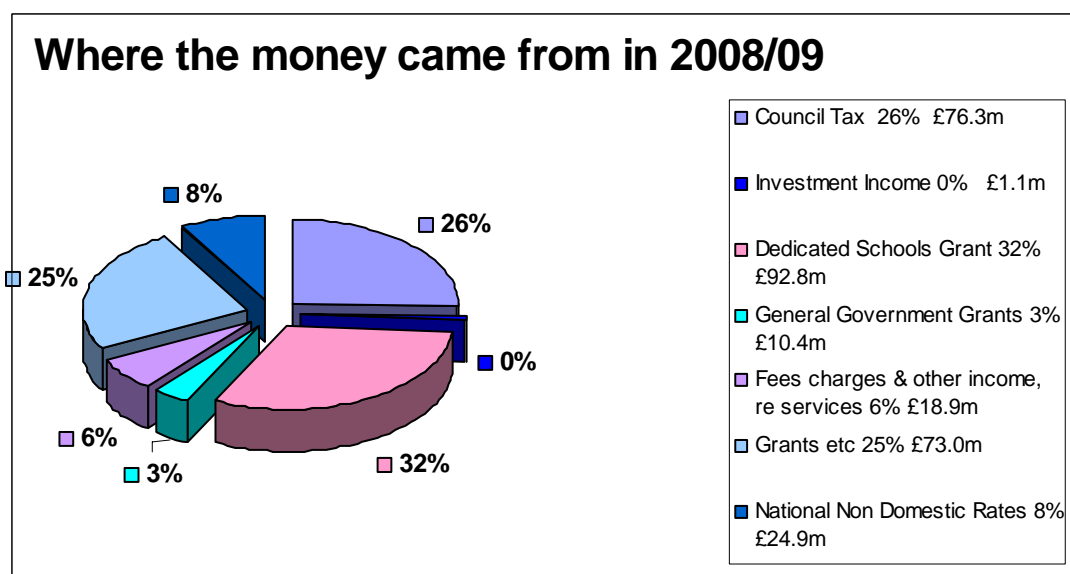


Where the money is spent

The chart below shows the Council's £297.4m gross revenue expenditure split over the different service areas after an adjustment for capital charges.



Where the money comes from



The budget requirement is met by a variety of funding streams. Council Tax was increased by 3.9% compared to 2007-08; a breakdown of the income streams is presented below showing how the Council's gross revenue expenditure of £297.4m was funded.

Council tax £76.3m this is the money collected from local taxpayers in 2008/2009.

Investment Income £1.1m 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.

Dedicated Schools Grant £92.8m a grant ring fenced for schools and previously included with in RSG.

General Government Grants £10.4m (includes Revenue support grant and area based grant) these are grants paid by Central Government in aid of local services.

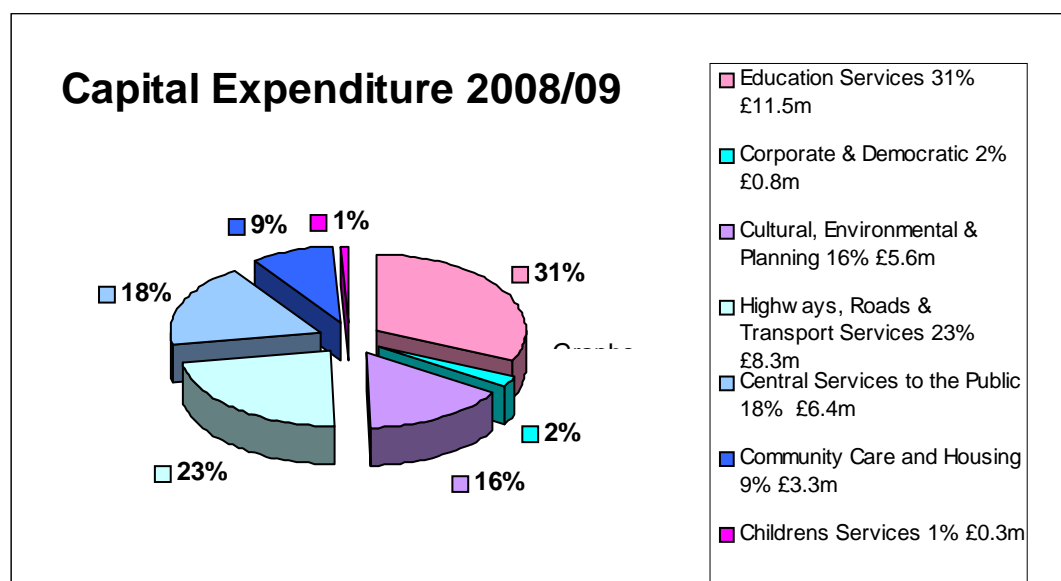
Fees & Charges, £18.9m some services provided by the Authority generate income through specific charges, eg Car Parks, Sport Centres and Planning Fees.

Grants etc, £73.0m Specific Grants are also received from Central Government and other sources to support the delivery of certain schemes / services.

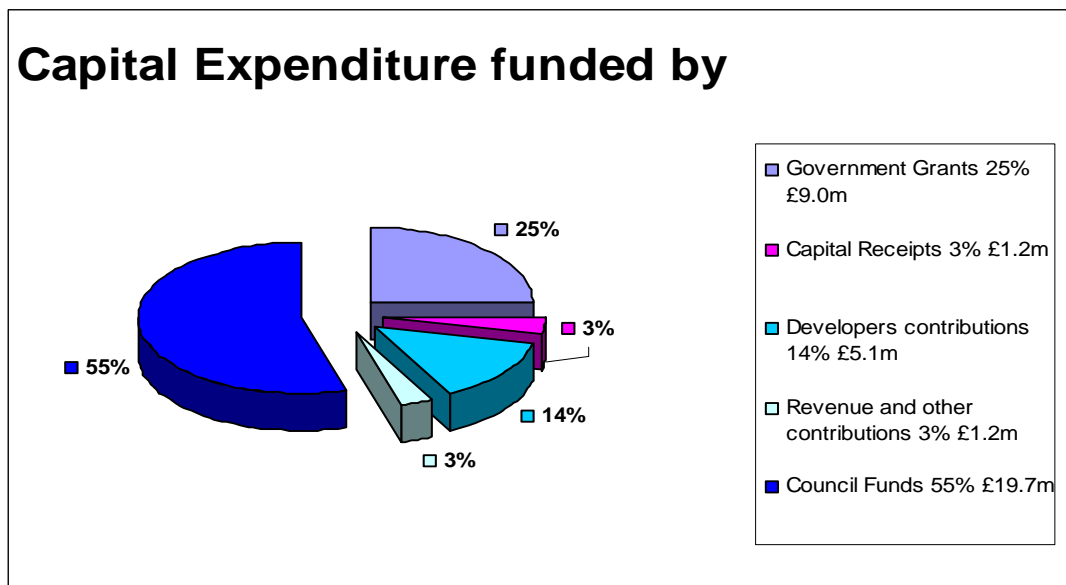
Non Domestic Rates £24.9m this is the Authority's share, based on population of the national total collected in respect of all non-domestic properties.

Capital Expenditure

The total capital expenditure in 2008/09 was £36.2m. The chart below shows the expenditure split over the different Service areas.



This chart shows how the Council's gross Capital expenditure of £36.2m was funded. The various sources are illustrated below,



Government Grants £9.0m specific grants received from Central Government.

Capital Receipts £1.2m income received from the sale of assets.

Developers Contributions £5.1m funding as a result of section 106 planning agreements.

Revenue and other contributions £1.2m use of revenue funds to support the capital programme.

Council Funds £19.7m use of the Council's Funds.

Explanation of 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 Income and Expenditure Revenue Account shows concisely the true financial position of the authority by summarising all of the resources it has generated, used or set aside during the year. The account reports the net cost for the year of all the functions the authority is responsible for and demonstrates how that cost has been financed from general Government grants and income from local tax payers.

The Statement of Movement on the General Fund Balance the Income and Expenditure account uses the same accounting conventions as that of a large unlisted company, UK GAAP (Generally Accepted Accounting Practice). In determining a local authority's budget requirement and in turn its Council tax demand, the authority is obliged to follow statute and non-statutory proper practices which can differ from UK GAAP. This statement shows the amounts in addition to the Income and Expenditure account's surplus or deficit for the year that are required by statute and non statutory proper practices to be charged or credited to the General Fund.

The Statement of Total Recognised Gains and Losses an authority will have other gains and losses in its Balance Sheet which are not detailed in the Income and Expenditure account. This Statement brings these other gains and losses together with the Outturn on the Income and Expenditure account to show the total movement in an authority's net worth for the year.

The Balance Sheet sets out the financial position of the Council, detailing the assets, liabilities, balances and reserves held by the Council at 31st March 2008. The Collection Fund is included in the Consolidated Balance Sheet.

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

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.

Auditors Report

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 2008/09 financial year that officer is the Head of Finance.

- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- ◆ to approve the Statement of Accounts.

The Head of Finance Responsibilities

The Head of Finance 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 2009).

In preparing this statement of accounts, the Head of Finance has: -

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the local authority SORP.

The Head of Finance has also:

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

The statements of accounts presents fairly the financial position of West Berkshire Council as at 31st March 2009.

.....Jeff Beck; Chair, Governance and Audit Committee

.....Andy Walker; Head of Finance

General Fund Budget

The main components of the budget for 2008/09 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's	Revised Budget £000's	Actual £000's	Difference (Revised to Actual) £000's
Net Expenditure on Services	109,124	110,097	110,375	278
Expenditure	109,124	110,097	110,375	278
Council Tax	(72,971)	(72,971)	(72,971)	0
Investment Income	(314)	(710)	(1,069)	(359)
General Government Grants	(10,311)	(10,386)	(10,386)	0
National Non Domestic Rates	(24,918)	(24,918)	(24,918)	0
Transfer from Collection Fund	(253)	(253)	(253)	0
INCOME	(108,767)	(109,238)	(109,597)	(359)
NET EXPENDITURE	357	859	778	(81)
Miscellaneous Adjustments	0	0	(33)	(33)
	357	859	745	(114)
Planned Contribution (from) / to Balances	(357)	(859)	0	859
Balance Brought Forward	(7,586)	(7,586)	(7,586)	0
Balance Carried Forward	(7,586)	(7,586)	(6,841)	745

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 Statement of Accounts summarises the Council's transactions for the 2008/09 Financial year and its position at the year end 31st March 2009.

The Financial Statements for 2008/09 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: 2008, A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and where appropriate the Financial Reporting Standards (FRS). The Accounting convention adopted is historical cost modified by the revaluation of certain categories of tangible fixed assets.

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) Retirement Benefits

Employees of the council are members of two separate pension schemes:

- The Teacher's Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- The Local Government Pensions Scheme, is administered by The Royal Borough of Windsor and Maidenhead.

Both schemes provided defined benefits to members (retirement lump sums and pension), earned as employees worked for the council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Berkshire pension scheme attributes to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current process using a discount rate. (The discount rate is the yield on the Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond index, with an adjustment to reflect the liabilities relative to the duration of the index.)
- The assets of the Berkshire pension fund attributable to the council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
 - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
 - gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the

Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- Contributions paid to the Berkshire pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Under the 2008 SORP the Council has adopted the amendment to FRS17, retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. Where bid values were not available an appropriate assumption was made. The return on the fund on a bid value to bid value basis for the year to 31st March 2009 is estimated to be -29.9%. The effect of this change is that the value of the scheme assets at 31st March 2008 has been restated from £174,400k to £172,656k, a decrease of £1,744k resulting in an increase of the pension deficit of £1,744k as at 31st March 2008. The Balance Sheet has been amended for the previous year to reflect this restatement.

Discretionary Benefits

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

(3) Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed, where there is a gap between the date supplies are received and their consumption; they are carried as stock on the balance sheet.

- Works are charged as expenditure when they are completed, before which they are carried as works in progress in the balance sheet
- Interest payable on borrowing and receivable on investment is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised in the accounts but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

An exception to this rule is the periodic costs such as gas and electricity, they are included in the accounts on a payments basis where appropriate payments have been made and are not considered material to the accounts.

(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) Overheads and Support Services

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

The costs of Corporate Management and Democratic Representation have been separately identified and are not borne by the revenue services. These two categories are defined by the BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of services.

(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) 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 2009.

(8) Investment

Investments are shown in the Balance Sheet at cost.

(9) Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but

where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

(10) Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council – these reserves are explained in the relevant policies below.

(11) Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets are 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 initially valued at cost, comprising all expenditure that is directly attributable to that asset, on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

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. West Berkshire 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 and shown in the Balance Sheet using the following headings:

Operational Assets:

- Land and Buildings, shown at current value
- Plant and Equipment, shown at current value
- Infrastructure Assets, shown at historical cost
- Community Assets, shown at historical cost

Non Operational Assets:

- Investment Properties, shown at current value

Assets included in the Balance Sheet at current value are revalued as a minimum every five years. From 2007/08 all increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

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

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

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

Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the usable capital receipts reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

Where grants and contributions are received that are identifiable to fixed assets, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the asset in the relevant service revenue account, in line with the depreciation policy applied to them.

(12) Depreciation

Depreciation is provided for on 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 on the following basis:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment - straight line allocation over the life of the asset, mainly 10 years.
- Infrastructure – straight line allocation, mainly over 40 years.

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

(13) Revenue Expenditure Funded from Capital Under Statute

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

(14) Charges to Revenue for fixed assets

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

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

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

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the capital adjustment account for the difference between the two.

(15) 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 19).

2004/05 saw a significant change in the management of local authority capital finance. The Prudential Framework places the emphasis for capital expenditure 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 either Basic or Supplementary credit approvals (BCA and SCA).

In establishing its Prudential Framework the Council has determined that it can support an annual Capital programme of approximately £14 million.

(16) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

However the stock issues by the council in 2008/09 is carried at a lower amortised cost than the outstanding principal and interest is charged at a marginally higher effective rate of interest than the rate payable to stockholders as a material amount of costs incurred in its issue is being financed over the life of the stock.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

(17) Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairments losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a change made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed.

(18) 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.

(19) 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.

(20) Borrowing

The loan debt held by Berkshire County Council (BCC) when it was abolished due to local government reorganisation as at the 31st March 1998 amounted to approximately £220m. The portfolio of debt consisted entirely of Public Works Loans Board (PWLB) loans, of which some £40m was deemed to be West Berkshire's liability as part of the disaggregation process. At that time it was agreed by all the Berkshire 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 Prudential Code 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 2005 and at that

time £28.92m of Public Works Loan Board debt was transferred to West Berkshire Council.

(21) 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.

(22) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

(23) Redemption of Debt

See note 19.

(24) VAT

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

(25) 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 in accordance with the terms of the lease. The Council did not enter into any finance lease agreements during the year.

(26) Post Balance Sheet Events

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

(27) Contingent Liabilities

Contingent Liabilities are disclosed in the notes to the core Financial Statements and cover known liabilities where the actual cost of the liability is not known.

(28) 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.

Changes to accounting policies for 2008-09

A) Under the 2008 SORP the Council has adopted the amendment to FRS17, retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. Where bid values were not available an appropriate assumption was made.

B) The Council signed a PFI (Public Finance Initiative) at the end of the March 2008 with Veolia Environmental Services; the accounting policies have been amended to reflect this new change below. This change to accounting policy is required as this is the first PFI that West Berkshire has signed and so accounted for.

Private Finance Initiative (PFI)

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

Prepayments

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

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

Reversionary Interests

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

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

Residual Interests

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

PFI Credits

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

Annual Governance Statements

..... Graham Jones **Leader**

..... Nick Carter **Chief Executive**
On behalf of West Berkshire Council

The Income and Expenditure Account

In accordance with the Accounting Code of Practice an Income and Expenditure account has been produced. The 2008/09 Income and Expenditure account has been produced in full compliance with the Statements of Recommended Practice. This statement collates all of the functions of the Council and summarises all of the resources the Council has generated, used or set aside in providing services during the year. The Income and Expenditure account uses the same accounting conventions as that of a large unlisted company, UK GAAP.

2007/08			2008/09	2008/09	2008/09
Net Expenditure			Expenditure	Income	Net Expenditure
£000's	note		£000's	£000's	£000's
Net Expenditure on Continuing Services					
31,548	Adult social care		57,371	(14,146)	43,225
3,027	Central Services to the Public		10,448	(7,828)	2,620
13,966	Children's services		17,738	(2,257)	15,481
6,745	Corporate & Democratic Core		5,913	(1,171)	4,742
104	Court & Probation services		84	0	84
27,904	Cultural, Environmental and Planning Services		43,055	(8,699)	34,355
13,746	Education Services		147,939	(125,720)	22,219
14,305	Highways, Roads and Transport Services		18,653	(3,536)	15,118
4,469	Housing Services		38,674	(35,868)	2,806
367	Exceptional Items				
116,181	NET COST OF SERVICES	1	339,875	(199,225)	140,650
(64)	(Gain) / loss on the disposal of fixed assets				(552)
2,941	Precepts to Parishes	2			3,123
112	Precepts & Levies				126
4	(Surpluses)/deficits on trading undertakings	3			67
70	Contribution of Housing Capital receipts to government pool				87
(975)	Interest Receivable				(1,069)
(845)	Pension Interest cost and Expected return on Pension Assets				1,765
1,715	Interest Payable and similar charges				1,283
119,139	NET OPERATING EXPENDITURE				145,480
SOURCES OF FINANCE					
(71,421)	Precept demanded from the Collection Fund				(76,088)
(1,911)	Collection Fund transfer re: Council Tax	4			(253)
(3,707)	General Government Grants	5			(10,386)
(22,092)	Contribution from Non-Domestic Rate Pool				(24,918)
(99,131)					(111,645)
20,008	DEFICIT/(SURPLUS) FOR THE YEAR				33,835

Statement of the Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources used and generated over the last twelve months. The Council though is required to raise Council Tax on a different accounting basis.

The main differences are:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are used.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the Council Tax it raised for the year, taking into account the use of reserves and contributions to reserves earmarked for future expenditure.

The statement below summarises the differences between the outturn on the Income and Expenditure account and the General Fund Balance.

2007/08 £000's		note s	2008/09 £000's
20,008	(Surplus) / deficit for the year on the Income and Expenditure Account		33,835
<u>(20,443)</u>	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	6	<u>(33,119)</u>
(435)	(Increase) / decrease in General Fund Balance for the year		716
(11,961)	General Fund Balance brought forward		(12,396)
<u>(12,396)</u>	General Fund Balance carried forward		<u>(11,680)</u>
(4,810)	Amount of General Fund Balance held by Schools under local management schemes		(4,839)
<u>(7,586)</u>	Amount of General Fund Balance generally available for new expenditure		<u>(6,841)</u>
<u>(12,396)</u>			<u>(11,680)</u>

Statement of Total Recognised Gains and Losses

The Income and Expenditure Account collates all of the functions of the Council and summarises all of the resources that the Council generated, used or set aside in providing services during the year. However the Council will recognise other gains and losses in its Balance Sheet that are not debited or credited to the Income and Expenditure Account.

The Statement of Total Recognised Gains and Losses is the Statement that brings these other gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the Council's net worth for the year.

2007/08 £000's	note s	2008/09 £000's
20,008		33,835
(Surplus) or Deficit for the year on the Income and Expenditure Account		
(10,789)		(10,144)
(Surplus) or Deficit arising on revaluation of Fixed Assets		
4,754		32,656
Actuarial (gains) and losses on pension fund assets and liabilities		
<u>13,973</u>	Total recognised gains and losses for the year	<u>56,347</u>

Balance Sheet

The Balance Sheet summarises the financial position of the Council as at 31st March 2009. It reflects the assets and liabilities of all the Council's activities.

2007/08 £000's		note	£000's	2008/09 £000's
	Operational Assets:	20		
271,937	- Other land and Buildings		272,054	
11,837	- Vehicles, Plant, Furniture and Equipment		14,237	
104,414	- Infrastructure Assets		108,143	
9,114	- Community Assets		6,494	
	Non Operational Assets			
7,520	Investment properties		7,347	
10,511	Assets under construction		10,874	
415,333	Fixed Assets net book value	21		419,149
0	Long Term Investments	22	0	
1,029	Long Term Debtors	23	727	727
416,362	TOTAL LONG TERM ASSETS			419,876
	Current Assets			
14	Stock and Work in progress	24	19	
17,498	Debtors	25	21,722	
1,128	Imprests		1,178	
19,732	Investments	26	6,170	
38,372				29,089
454,734				448,965
	Current Liabilities			
(54,269)	Creditors and receipts in advance	27	(73,975)	
(2,725)	Short term borrowing	28	(4,125)	
(14,168)	Cash and Bank overdrawn		(981)	
(71,162)				(79,081)
383,572	TOTAL ASSETS LESS CURRENT LIABILITIES			369,884
(1,093)	Long term Liability	29	(743)	
(22,880)	Deferred Liability	30	(21,755)	
(42,229)	Pension Liability	15	(79,361)	
(34,403)	Government Grants Deferred	32	(41,134)	
(18,675)	Contributions Deferred Account	32	(19,373)	
(568)	Provisions	33	(141)	
(119,848)				(162,507)
263,724	TOTAL ASSETS LESS LIABILITIES			207,377
10,452	Revaluation Reserve	34	20,131	
271,604	Capital Adjustment Account	35	241,009	
55	Deferred Credits	36	39	
1,137	Usable Capital Receipts	37	593	
(42,229)	Pension Reserve	15	(79,361)	
171	Working Balances	38	2,256	
14,948	Earmarked Reserves	38	15,869	
7,586	General fund	38	6,841	

The Cash Flow Statement

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2007/08			2008/09	2008/09
£'000	notes		£'000	£'000
Cash (Outflows):				
(135,750)	Cash paid to and on behalf of employees		(141,457)	
(80,161)	Other operating costs		(83,353)	
(25,011)	Housing Benefit paid out		(28,074)	
(14,768)	Precepts Paid		(15,472)	
(68,158)	Non-domestic rates paid to National Pool		(70,303)	
(323,848)	TOTAL CASH OUTFLOWS		(338,659)	
Cash Inflows:				
101	Rents (after rebates)		104	
77,896	Council Tax income		82,037	
66,463	Local Non-Domestic Rate income		77,632	
22,092	Non-domestic rate income from National Pool		24,918	
3,707	Revenue Support Grant		10,386	
88,582	Dedicated schools grant		92,825	
26,658	DWP grants and rebates		28,074	
45,951	Other Government grants	41	44,881	
23,989	Cash received for goods and services		(3,516)	
398	Other revenue cash payments/income		405	
355,837	TOTAL CASH INFLOWS		357,746	
31,989	Revenue Activities Net Cash Received	42		19,087
Returns on Investments and Servicing of Finance				
Cash (Outflows)/Inflows				
(1,489)	Interest paid		(1,179)	
1,006	Interest received		1,202	
(483)				23
Capital Activities				
Cash (Outflows)				
(32,667)	Expenditure for Capital Purposes			(36,209)
Cash Inflows				
1,137	Capital Receipts		1,190	
11,087	Capital grants received		14,184	
12,224				15,374
11,063	Net Cash Inflow/(Outflow) before Financing			(1,725)
Management of Liquid Resources				
(6,775)	Increase/(Decrease) in Temporary Borrowing	43	1,400	
(13,629)	(Increase)/Decrease in Temporary Investments	43	13,562	14,962
(9,341)	Net Increase/(Decrease) in Cash Equivalents	43		13,237

<u>(13,629)</u>	(Increase)/Decrease in Temporary Investments	43	13,562	<u>14,962</u>
<u>(9,341)</u>	Net Increase/(Decrease) in Cash Equivalents	43		<u>13,237</u>

Notes to the Core Financial Statements

(1) Net Cost of Services

The net cost of services includes depreciation charges for the use of fixed assets, impairment costs associated with Fixed Assets, government grants deferred, FRS17 pension costs and movements in Reserves. These are subsequently reversed within the Statement of Movements on the General Fund Balance, 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 £3,117,118.

(3) Trading Operations

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

The Council also has some external trading accounts primarily to do with leased car insurance and commercial properties.

The total income, expenditure and surplus / (deficit) are shown below

<u>Trading Operations</u>	Expenditure	Income	Surplus (- deficit)
	£000's	£000's	£000's
External Trading Accounts	619	(749)	(130)
Internal Trading Accounts	3,342	(3,146)	196
Net deficit	3,961	(3,895)	66

(4) Transfer from the Collection Fund

A transfer of £253,176 has been made from the Collection Fund to the General Fund based on the estimated surplus as at 31st March 2009. Transfers are made between the funds each year.

(5) Government Grants / Area Based Grant

The table below shows the funding from Central government.

	2007/08	2008/09
	£ 000's	£ 000's
Revenue Support Grant	3,707	3,469
Area Based Grant	0	6,917
Total Funding	3,707	10,386

(6) Movement on the General Fund Balance

The table below shows the reconciling items for the Statement of Movements on the General Fund Balance.

2007/08 £000's	notes	2008/09 £000's
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.		
(17,870)	Depreciation and impairment of Fixed Assets	(35,372)
1,575	Government Grants Deferred Account	2,442
(1,583)	Write down of deferred charges to be financed from Capital resources	(2,077)
64	Net gain / loss on sales of Fixed Assets	552
(70)	Contribution of Housing capital receipts to Government pool	(87)
(314)	Net changes made for retirement benefits in accordance with FRS17	(4,476)
(18,198)		(39,018)
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year.		
1,530	Capital expenditure charged in year to the General Fund	558
590	Minimum revenue provision for Capital Financing	590
2,120		1,148

Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year

(1,206)	Miscellaneous adjustments	(33)
3,165	Repayment of BCC debt	1,125
(234)	Internal funding of capital programme	648
<u>(6,090)</u>	Transfer of movements through reserves	<u>3,011</u>
(4,365)		4,751
<hr/>		
<u>(20,443)</u>	Net additional amount required to be credited to the General Fund Balance for the year	<u>(33,119)</u>

Reconciliation of the provisional outturn position to the financial statements

The provisional year end outturn was presented to the Executive on the 28th May 2009. The outturn figure stated was £351k overspent.

The figure in the financial statements for the year end position is £716k taken from reserves.

The reconciliation between these numbers is provided below:

	2008/09 £000's
Decrease in General Fund (from SMuGFuB)	716
School Balances carried forward	29
	<hr/>
	745
Less Planned contributions from balances	(357)
Less year end adjustments in preparing the statements	(37)
	<hr/>
	(394)
Figure reported to Executive	351
Contribution from Risk Fund	(350)
Funded from General Fund	<hr/>
	1

(7) 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 Income and Expenditure 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	3.9	0.3	0.9	0.9
Gross Income	0.0	0.0	0.0	0.0
Net Expenditure	3.9	0.3	0.9	0.9
Council Tax Income	(5.7)	(1.0)	(0.7)	(1.3)
Appropriation to balances	(1.8)	(0.7)	0.2	(0.4)
Balance from 2008/09	(2.3)	(3.6)	(0.2)	0.1
Balance carried forward to 2009/10	(4.1)	(4.3)	0.0	(0.3)

(8) Prior Year Adjustment

There were no prior year adjustments in respect of 2008-09

(9) Movement through Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

<u>Statement of Movement in Reserves</u>					
	Restated				
	Balance	Net	Balance	Purpose	Further
	31st March	Movement	1st April	of Reserve	Detail of
	2,008	in year	2,009		Movements
	£000's	£000's	£000's	£000's	£000's
Revaluation Reserve	10,452	9,679	20,131	Store of gains on revaluation of Fixed Assets not yet realised through sales	see note 31 to the Core Financial Statements see note 32 to the Core Financial Statements
Capital Adjustment Account	271,604	(30,595)	241,009	Store of Capital resources set aside to meet past expenditure	see note 34 to the core Financial Statements
Useable Capital Receipts	1,137	(544)	593	Proceeds of Fixed Asset sales available to meet future Capital expenditure	see note 14 to the core Financial Statements
Pensions Reserve	(42,229)	(37,132)	(79,361)	Balancing account to allow inclusion of Pension liability in the Balance Sheet	see page 10 of the Statement of Accounts
General Fund	7,586	(745)	6,841	Resources available to meet future running costs for non- housing services	see note 35 to the core Financial Statements
Other Reserves	15,174	2,990	18,164	Includes capital reserves, Deferred credits, revenue reserves, Fund balances less General	see note 35 to the core Financial Statements
Total	<u>263,724</u>	<u>(56,347)</u>	<u>207,377</u>		

The Pension Reserve was restated for the financial year 2007/08, due to quoted securities held as assets in the defined benefit pension scheme now being valued at bid price rather than by mid-market value.

(10) 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 £550,926 in 2008/09 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>	2007/08	2008/09
	£	£
Readibus	41,060	41,060
Handybus	103,115	92,150
Grants to voluntary organisations	393,116	417,716
Total Expenditure	537,291	550,926

(11) Publicity

Set out below, under the requirements of section 5(l) 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 Income and Expenditure Account as part of the Net Cost of Services.

<u>Publicity</u>	2007/08	2008/09
	£	£
Marketing and Public Relations	281,059	377,542
Recruitment Advertising	699,717	687,557
Total Expenditure	980,775	1,065,099

(12) Pooled Accounts

Memorandum Account

Pooled Budget: Intermediate Care Services

The pooled budget was established on 1st April 2006 for a three year term until 31st March 2009. The pooled budget agreement is between West Berkshire Council and the Berkshire West Primary Care Trust, and is administered by West Berkshire Council, and covers the West Berkshire Area.

The purpose of the partnership is to improve standards and quality of services through more effective co-ordination of resources within Intermediate Care.

A summary of income and expenditure is provided below.

	Gross Expenditure	Gross Income	WBC contribution
	£ 000's	£ 000's	£ 000's
Financial year 2007/08	1,090	(443)	647
Financial year 2008/09	1,091	(443)	648

Pooled Budget: Community Equipment Services

The pooled budget for Community Equipment was established 1 April 2004 under Section 31 of the Health Act 1999. The agreement exists between the six unitary authorities in Berkshire and the Primary Care Trusts covering the same geographical area. The agreement life is five years. The pooled budget is administered by the lead authority Slough Borough Council.

The aim of the partnership is to improve the integration of health and social care community equipment services to meet the needs of users.

A summary of income and expenditure is given below:

	Gross Expenditure	Gross Income	WBC contribution
	£ 000's	£ 000's	£ 000's
Financial year 2007/08	2,612	(2,612)	227
Financial year 2008/09	2,753	(2,753)	246

(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:

<u>Disclosure of Remuneration</u>		
Remuneration Band	Number of Employees	
	2007/08	2008/09
£50,000 - £59,999	85	111
£60,000 - £69,999	30	36
£70,000 - £79,999	13	13
£80,000 - £89,999	6	6
£90,000 - £99,999	0	4
£100,000 - £109,999	3	2
£110,000 - £119,999	1	1
£120,000 - £129,999	1	1
£130,000 - £139,999	1	1
£140,000 - £149,000	0	0

	2007/08	2008/09
	£	£
Expenses paid to the elected Members	574,089	568,038

(14) Superannuation Costs

In 2008/09 the Council paid an employer's contribution of £7.326m. 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. Under the Scheme Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. In addition, the Council is responsible for all early releases of benefit payments, in 2008/09 these amounted to £0.2m.

Teachers Pension Scheme

In 2008/09 the Council paid an employer's contribution of £7.2m representing 14.1% 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 requires specific entries to the Balance Sheet and Income and Expenditure 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 The Royal Borough of Windsor and Maidenhead for the Royal County of Berkshire Pension Fund. This is a defined benefit scheme, where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The date of the last actuarial report received by the Council was the 31st March 2009.

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 Statement of movements on the General Fund Balance. The following Transactions have been made to the Income and Expenditure Account and the Movement on the General Fund Balance account.

<u>Local Government Pension Scheme</u>	Restated	
	2007/08	2008/09
	£000's	£000's
Income and Expenditure account		
Current Service Cost	8,151	9,301
Past Service Cost / curtailment / Unfunded costs	12	734
Net Cost of Service	8,163	10,035
Interest Cost	12,402	14,360
Expected return on assets in the scheme	(13,332)	(12,595)
Net Operating Expenditure	(930)	1,765
Net Charge to the Income and Expenditure Account		
	7,233	11,800
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(7,233)	(11,800)
Actual amount charged against the General fund balance for pensions in the year	7,004	7,326

In addition to the recognised gains and losses included in the Income and Expenditure account, actuarial losses of £32,656k (£4,754k for 2007/08) were included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in relation to retirement benefits

Following the adoption of FRS17 the net pensions to be recognised are made up of two main elements:

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

Funded Liabilities: Local Government Pension scheme	2007/08 £000's	2008/09 £000's
Opening balance 1st April	218,351	214,886
Current service cost	8,151	9,301
Interest cost	12,402	14,360
Contributions by scheme participants	2,777	3,209
	(20,082)	(32,124)
Actuarial (gains) and losses))
Benefits paid	(6,725)	(6,742)
Past service costs	132	734
Unfunded pension payments	(120)	(300)
Closing balance 31st March	214,886	203,324

- Assets, the Authority's attributable share of the investments held in the pension scheme to cover the liabilities, these assets are valued on a 'bid value'.

Fair Value of Scheme Assets : Local Government Pension Scheme	2007/08 £000's	2008/09 £000's
Opening balance 1st April	181,105	172,656
Expected rate of return	13,332	12,595
	(24,837)	(64,780)
Actuarial gains and losses))
Employer contributions	7,004	7,326
Contributions by scheme participants	2,777	3,209
Benefits paid	(6,725)	(7,042)
Closing balance 31st March	172,656	123,964

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

The actual return on scheme assets in the year was £52,185k (for 2007/08 £14,220k).

Scheme History

The underlying assets and liabilities for retirement benefits attributable to the Authority (including a percentage of the Berkshire County Council pension fund) at 31 March 2009 are as follows,

Local Government Pension Scheme	Restated	Restated	Restated	Restated	
	2004/05	2005/06	2006/07	2007/08	2008/09
	£000's	£000's	£000's	£000's	£000's
Present value of Liabilities:	(156,908)	(215,860)	(218,351)	(214,886)	(203,325)
Fair value of Assets	118,088	166,871	181,105	172,656	123,964
Surplus / (deficit) in the scheme	<u>(38,820)</u>	<u>(48,989)</u>	<u>(37,247)</u>	<u>(42,229)</u>	<u>(79,361)</u>
Experience adjustments on scheme assets	0	0	0	2715	0
Experience adjustments on Scheme liabilities	0	0	0	(9,296)	0

For consistency the assets have been shown at bid price (estimated where necessary) for the periods prior to 31st March 2009.

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

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

The main assumptions used in their calculations are listed below:

Principal Assumptions used by the Actuary	2007/08	2008/09
	£000's	£000's
Equity Investments	7.9%	7.4%
Bonds	6.6%	6.5%
Gilts	4.5%	4.0%
Property	5.9%	5.5%
Cash	5.0%	3.0%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men		21.27%
Women		24.33%
Longevity at 65 for future pensioners:		
Men		22.21%
Women		25.26%
Rate of Inflation	3.7%	3.0%
Rate of increase in Salaries	5.2%	4.5%
Rate of increase in Pensions	3.7%	3.0%
Rate of discounting scheme liabilities	6.6%	6.7%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

Assets held by the whole fund and analysed in terms of the investments in which they are held as at 31st March 2009 can be summarised as:

	31 March 2008	31 March 2009
Equities	70.3%	62.2%
Gilts	7.9%	9.5%
Other Bonds	8.1%	14.5%
Property	10.4%	10.8%
Cash	3.3%	3.0%
Total	100.0%	100.0%

The actuarial gains identified as movements on the Pensions reserve can be analysed into the following categories, measured as a percentage of assets or liabilities.

Local Government Pension Scheme	Restated			Restated	
	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	3.20	13.80	0.10	(6.24)	(75.86)
Experience gains and losses on liabilities	27.80	(2.80)	0.20	(4.30)	0.00

(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 Income and Expenditure Account and the Cash Flow Statement.

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

<u>Related Party Transactions</u>	2007/08	2008/09
	£000's	£000's
Corn Exchange Theatre Trust	447	473
Environment Agency	112	126
Vodafone Ltd	162	292
West Berkshire Mencap	251	447
	<u>972</u>	<u>1,338</u>

Central Government has a direct influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, it provides a large amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the main transactions are shown below.

Analysis of Government Grants	2007/08	2008/09
	£000's	£000's
Dedicated Schools Grant	88,582	92,825
Standards Fund Grant	10,867	11,715
Housing Benefits Grant	25,011	28,074
Learning and Skills Council	13,028	13,333
Other Specific Government Grants	22,056	19,833
Total	<u>159,544</u>	<u>165,780</u>

Council Members declared an interest in one of the following Organisations,

**The Corn Exchange Trust,
The Greenham Common Community Trust,
The Sovereign Housing Association,
The Thames Valley Police Authority,
Vodafone Ltd,
West Berkshire Mencap,
The Royal Berkshire Fire and Rescue Authority.**

The Council has had dealings with these Organisations over £ 100,000.

No Chief Officers nor their close relations or members of the same household have disclosed any declarable transactions with the Council.

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

(17) Auditors Fees

In 2008/09 the following fees were incurred by West Berkshire Council and relate to external audit.

Auditors Fee	2008/09
	£000's
-	
Fees payable to KPMG with regard to external audit services	223
Fees payable to Audit Commission with regard to external audit services	27
Fees payable to Audit Commission with regard to grants audit	40
	290

(18) Private Finance Initiative

The Council entered into a PFI contract with Veolia ES West Berkshire Ltd in March 2008 for the provision of waste collection and disposal services. The total cost of the contract was modelled at approximately £516 million over its life and is due to run for 25 years until 2033.

The contract will include the provision of an integrated waste management facility on land owned by West Berkshire Council. However the annual contract payments will not include any payment for the provision of this facility until its completion (scheduled for 2013). All payments made to Veolia in 2008/09 therefore related to the provision of waste collection and disposal services.

The accounting treatment of the contract under FRS5 has been assessed by the Council and independently verified by Ernst and Young LLP. Our judgement is that the balance of risk under the contract lies with Veolia and that the assets provided under the contract should not therefore be held on the Council's balance sheet. Payments made under the contract for 2008/09 have therefore been included in the net cost of services.

At the end of the contract the integrated waste management facility will revert back to the Council at no residual cost. It is not therefore considered necessary to make any provision for the residual cost of the asset.

(19) 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.

<u>Building Control Account</u>			
	Chargeable	Non	Total
	Activities	Chargeable	Building
	2008/09	Activities	Control
Building Regulations Charging Account	£000's	2008/09	2008/09
		£000's	£000's
Expenditure			
Employees	434,293	128,213	562,506
Supplies & Services	44,048	1,676	45,724
Central and Support Charges	129,050	32,790	161,840
Total Expenditure	<u>607,391</u>	<u>162,679</u>	<u>770,070</u>
Income			
Building Regulation Charges	659,485	0	659,485
Miscellaneous Income	0	0	0
Total Income	<u>659,485</u>	<u>0</u>	<u>659,485</u>
Surplus / (Deficit) for year	<u>52,094</u>	<u>(162,679)</u>	<u>(110,585)</u>

(20 Fixed Assets

Fixed Asset Valuation

All expenditure on the acquisition, creation or enhancement of fixed assets is accounted for on an accruals basis and capitalised in the Balance Sheet. All fixed assets are included in the Balance Sheet at their current value except for infrastructure assets and community assets, which are included at historical cost. All assets included at current value are revalued at intervals of not more than five years.

A proportion of these properties have been revalued as at 1st April 2008 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 £36,207,692.25.

This was financed as follows:

<u>Capital Expenditure Financing</u>	General Fund	General Fund
	2007/08	2008/09
Source	£000's	£000's
Government Grants	10,440	9,042
Other Grants	647	53
Capital receipts	333	1,190
Other internal balances and funds	423	471
Financing requirement for the year	14,135	19,716
Revenue funding	773	648
Developers/other contributions	5,916	5,088
	32,667	36,208

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

Main Items of Capital Expenditure	
Project Title	£000's
Shawhouse Phase 2/Trinity Sports Hall	544
Planned Maintenance	2,171
Library Management System Replacement	201
Disabled Facilities Grant	1,478
Investment in Housing	951
Office Accommodation Provision	429
Corporate ICT Replacement	340
Electronic Document Recognition Management System	205
East of Area Office (Turnhams Green)	2,050
St Bartholomew's School - BSF One School Pathfinder	1,442
Youth Capital Fund	217
Seed Challenge	215
NGFL Part C Broadband	816
Thatcham Park School Remodelling	543
Streatley Primary School - Internal Remodelling	868
Childcare Capital	484
Calcot Infant School - Children's Centre	190
The Willows - Remodelling Phase 1	650
Victoria Park - Children's Centre	332
Wheeled Bin Replacement	169
Waste Management Site (Padworth Sidings)	3,365
A4 Padworth Maintenance/Beenham Hill Junction Improvements	270
Pinchington Lane Road Widening	215
Crookham Rd/Thornford Rd Junction Improvements	307
West Berkshire Clear Streets Projects	189
Real Time Passenger Information System	151
Kennet Centre Lift Replacement	206
School Safety Programme	196
Greenham Rd/Pinchington Ln Junction Improvements	181
Amners Farm Road	244
B4494 Oxford Rd Shaw	174
Turnpike Road	245
A340 Basingstoke Road	279
Essential Maintenance - Bridges	441
Flood Prevention Projects	1,409
Robin Hood Roundabout & A4	1,106
Total	23,273
(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.

Two housing assets were sold, one shared ownership property and one housing property, two housing properties were added as well as one depot and one Commercial property.

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. The schools were last valued at the 1st April 2005 and were valued at £31.5m.

	31-Mar-08	31-Mar-09
	Nos	Nos
Public Conveniences	11	11
Car Parks	24	24
Industrial Units	2	2
Farms (approx. size 45 hectares)	3	3
Civic Amenity Sites	2	2
Leisure Centres	8	8
Social Services	14	14
Libraries	9	9
Schools and associated properties	66	66
Commercial Premises	8	9
Public Open Spaces	311	311
Offices	7	7
Community Centres / Facilities	21	21
Highways Depots	2	3
Housing operational properties	51	51
Total	539	541

Budgets for the following Capital schemes have been slipped into 2009/10.

Capital Commitments on Existing Schemes Included	
Project Title	£000's
Provision of CCTV within West Berkshire	184
Fire Risk Remedial Works	188
Streatley Primary School - Internal Remodelling	166
Theale Green School	260
Kennet Centre Lift Replacement	191
Total	989
(Note - slippage over 150k shown.)	

(21) Analysis of Movement in Fixed Assets

Following changes to the Statements of Recommended Practice introduced on the 1st April 2007, the historical cost of the assets and the current value of the assets now need to be disclosed.

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

MOVEMENT OF FIXED ASSETS 2008/2009						
	Other Land & Buildings £000's	Non - Operational Assets £000's	Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	TOTAL £000's
Valued at Current value						
Gross Book Value @ 31/03/08	309,343	7,573	19,964	131,727	9,969	478,576
Merged Assets	(600)	0	(58)	0	658	0
Assets under construction	10,608	0	0	265	0	10,873
Revaluations	9,154	51	0	0	6	9,211
Impairments re revaluations	(12,398)	(220)	0	0	(4,431)	(17,049)
Value @ 01/04/08	316,107	7,404	19,906	131,992	6,202	481,611
Additions	6,030	0	3,464	7,785	968	18,247
Disposals	(85)	0	0	0	0	(85)
Impairments re Disposals	(4,267)	0	0	0	0	(4,267)
Gross Book Value @ 31/03/09	317,785	7,404	23,370	139,777	7,170	495,506
Depreciation @ 31/03/08	(28,945)	(53)	(6,593)	(27,009)	(644)	(63,244)
Depreciation charged to services	(9,829)	(4)	(2,541)	(4,359)	(328)	(17,061)
Depreciation on revalued assets	933	0	0	0	0	933
Impairments re revalued assets	2,335	0	0	0	296	2,631
Impairments re Disposals	375	0	0	0	0	375
Depreciation on disposal	8	0	0	0	0	8
Balance @ 31/03/09	(35,123)	(57)	(9,134)	(31,368)	(676)	(76,358)
Net Book Value @ 31/03/09	282,662	7,347	14,236	108,409	6,494	419,148
Revaluation reserve	(20,074)	(51)	0	0	(6)	(20,131)

The revaluation reserve records the unrealised revaluation gains arising since 1st April 2007.

One of the impairments to the value of £2.2m on the asset register during 2008/09 related to Avonbank and Northcroft lease. This should not have been in the Council's asset register since the asset does not belong to the Council, nor is it a Financial lease.

Voluntary Aided and Voluntary Controlled school assets were removed from the asset register in 2003/04. Since that date some expenditure has been included in the asset register via the capital programme. These assets valuing, £4.3m, have been impaired and removed during the year in line with the latest accounting guidance.

Non Operational Assets are made up of investment properties.

Surplus land and buildings are held for future disposal and currently total £0.6m.

Assets under construction total £10.9m and will be included in the asset register once the schemes are complete.

Leased Assets

The Authority 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 2008/09 was £1,452k (2007/08 £1,382k).

The Authority was committed at 31st March 2009 to making payments of £1,139k under operating leases in 2009/10, comprising the following elements.

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

Operating Leases	Other Land and Buildings	Vehicles, Plant and Equipment
	£000's	£000's
Leases expiring in 2008/09	78	10
Leases expiring in 2009/10	467	97
Leases expiring between 2010/11 & 2013/14	0	100
Leases expiring after 2013/14	39	437

The Authority as Lessor – with regard to the Authority's activity as a lessor, the gross value of assets held for use in operating leases was £7,229k. £5,448k is for Industrial Estates, £704k for Shared ownership properties, £519k for three farms and £558k for two depots. These assets were subject to £68k depreciation in year.

(22) Long Term Investments

As at 31 March 2009 there were no Long Term Investments.

(23) Long Term Debtors

Long term debtors are those debtors in excess of one year.

	Balance at	Movement	Balance at
	31/03/08	In the Year	31/03/09
Long term debtors analysis :	£000's	£000's	£000's
BCC Debtors	21	(21)	0
Property Charges	48	0	48
Employees Car Loans	17	(3)	14
Sale of Council Houses	55	(16)	39
School loans	882	(262)	620
Other Loans and Advances	6	0	6
Total Long Term Debtors	1,029	(302)	727

(24) Stock and Work in Progress

Stock is goods and materials charged to revenue, which has not been used by the end of year. The stock therefore is carried forward to be charged in the year it is used.

The stock shown in the table below is for the Nature Discovery Centre, the Museum, the Tourist Information centre and Shaw House.

	Opening	Closing
	Balance at	Balance at
	31/03/08	31/03/09
	£'000	£'000
Stocks	14	19
	14	19

(25) Debtors

Debtors represents an income due to the Authority within one year.

-	31/03/08	31/03/09
Amounts falling due in one year:-	£000's	£000's
Government Departments	7,876	12,181
Other Local Authorities	1,767	2,375
Collection Fund	0	
Payments in Advance	1,329	2,207
Other Debtors	8,404	6,557
Total Debtors	19,376	23,320
less provision	(1,878)	(1,598)
Total Debtors	17,498	21,722

(26) Investments

-	Nominal	Market		Nominal	Market	
-	Holding	Value at		Holding	Value at	
-	at	at	Cost	at	at	Cost
-	31/03/08	31/03/08	£000's	31/03/09	31/03/09	£000's
-	£000's	£000's	s	£000's	£000's	s
Association of D.C.'s.	50	50	50	0	0	0
Investments - payable over 1year	0	0	0	0	0	0
Temporary (i)	19,682	19,682	19,682	6,170	6,170	6,170
Total Investments	19,732	19,732	19,732	6,170	6,170	6,170

Temporary Investments (to be repaid within 365 days) held as at 31.03.09 were as follows

-	Amount	Interest Rate
-	£000's	%
Fixed Loans	2,000	6.31%
Money Market Funds	4,049	Variable
Deposit Account	122	Base rate + 0.25%
	<u>6,171</u>	

In accordance with the Authority's Treasury Management policy the maximum amount that can be lent to any one body is £5.0m.

(27) Creditors

Creditors are payments the Authority owes and are due to be paid in the short term.

	31/03/08	31/03/09
	£000's	£000's
Government departments	7,736	10,674
Sundry creditors	23,218	18,769
Receipts in advance	23,315	44,531
Total Creditors	54,269	73,974

Receipts in advance include capital grants, these are mainly for a major capital project within Education which has not yet started.

(28) Short Term Borrowing

At 31 March 2009 short term borrowing amounted to £4.1m, £3m was with the Stroud and Swindon Building Society and £1.1m is the principal repayment on the PWLB loan.

(29) 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 Services and Children and Young People's Directorates, with part of it being sub leased to the Primary Care Trust.

(30) Deferred Liability

See note 20 to the Statement of Accounting Policies re former Royal County of Berkshire loan debt.

(31) 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.

Following the introduction of the Income and Expenditure Account, the Government Grants Deferred balance is effectively treated as a receipts in advance balance, awaiting credit to the net cost of services in future years. The balance has therefore been moved to the top half of the Balance Sheet, instead of being part of financed by reserves. The amounts are shown in the Unapplied capital grants and contributions table in note 32.

(32) Unapplied Capital Grants and Contributions

Unapplied capital grants and contributions represents income that has been received but has not yet been used to finance specific capital schemes.

	Balance as at 31/03/2008 £ 000's	New Grants and Contributions £ 000's	Amount applied to fund Capital Expenditure £ 000's	Balance as at 31/03/2009 £ 000's
DEFRA LATS Grant	4	0	(4)	0
Capital Grants and other Contributions Unapplied	18,810	24,540	(6,070)	37,280
Section 106 and SPG Contributions	19,113	7,041	(7,879)	18,275
Other Deferred Contributions	2,133	176	0	2,309
Government Grants Deferred	34,403	14,183	(7,452)	41,134
Total Unapplied Grants and Contributions	74,463	45,940	(21,405)	98,998

Of the £18,275k from Section 106 above, £1.191m relates to creditors that are held in the balance sheet. This balance is held in case the scheme does not proceed then the sum involved will be returned to the originator.

(33) Provisions

Provisions represent the best estimate at the Balance sheet date of expenditure required to settle a known obligation.

Provisions for Liabilities have been disclosed as per the requirement of FRS (Financial Reporting Standards) 12.

	Balance 31/03/08 £000's	Receipts In Year £000's	Payments in Year £000's	Balance 31/03/09 £000's
Crookham (extraction of minerals)	36	12	0	48
Provision for liabilities	532	83	(532)	83
Other Provisions	0	10	0	10
Total Provisions	568	105	(532)	141

(34) Revaluation Reserve

	2008/09
	£000's
Opening Balance	10,452
Upward revaluations of assets	10,144
Sold Assets	(29)
Depreciation in year	(436)
Closing Balance	20,131

(35) Capital Adjustment Account

	2007/08
	£000's
Opening Balance	271,604
Revenue contribution to capital	558
Capital receipts	1,190
Internally funded cap programme	560
Minimum Revenue Provision for loan repayment	590
Capital financing of deferred charges	5,010
Deferred Assets charged	(7,088)
Less : Depreciation	(16,249)
Sold assets	(48)
Impaired assets	(18,686)
BCC Principal payments	1,125
Government Grants Deferred	2,443
Closing Balance	241,009

(36) 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	Credit	Balance
	31/03/08		31/03/09
	£000's	£000's	£000's
Sale of Council Houses	55	(16)	39

(37) 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. The reserved amounts are shown in note 32.

Usable Amounts

	General Fund £000's
-	
-	
Opening Balance	1,137
Capital receipts received in year	733
Capital receipts used for financing	(1,190)
Pooling of Capital receipts	(87)
Balance as at 31 March 2009	593
Net Movement in year	544

(38) Reserves and Balances

	31st March 2008 £000's	Receipts £000's	Payments £000's	31st March 2009 £000's
Total Working Balances	171	2,085	0	2,256
General Fund	6,986	0	(395)	6,591
Risk Fund	600	0	(350)	250
Total General Reserve	7,586	0	(745)	6,841
Collection Fund	16	0	(699)	(683)
Schools Balances	4,841	30	(32)	4,839
Special Expenses	6	3	0	9
Supporting People Reserve	1,659	0	(139)	1,520
Self Insurance Fund	1,559	0	(150)	1,409
Long term commitment	1,612	0	(43)	1,569
Ex BCC Liabilities	935	0	(28)	907
VAT Reserve	530	641	0	1,171
Specific Earmarked Reserves	2,260	544	0	2,804
Concessionary fares unrepresented tokens	403	0	(47)	356
Waste Management Strategy	1,126	842	0	1,968
Total Earmarked Reserves	14,947	2,060	(1,138)	15,869
Total General Fund	22,704	4,145	(1,883)	24,966

Per the CIPFA LAAP (Local authority Accounting Panel) Bulletin 77 and the SORP 2008, WBC has changed its description of reserves to comply with the latest professional guidance. A summary of each of the major reserves (excluding statutory

reserves such as the revaluation reserve and capital adjustment account) has been detailed below.

Working Balances: This balance represents resources used for cash flow purposes that are held for consumption in the following financial year. The most significant balance within this item relates to LABGI money received in 2008-09 (£950k), but that is in respect of the 2009-10 budget, as well as the cross Berkshire joint arrangements.

General reserve: This balance represents the total general reserve that the Council holds for non-specific items and represents the total of the general fund and the risk fund.

Collection Fund: This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

Schools Balances: If schools under spend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31st March 2009 Schools held total balances of £4.839m, of which £2.521m was revenue and £2.318m was capital.

The £4.839m is an amalgamation of unspent and overspent balances of which £3.253m is re the unspent revenue and -£0.732m is the overspent revenue, £2.415m is the unspent capital and- £0.097m is the overspent capital.

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 8% Primary, Special, Nursery and 5% Secondary 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.

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

Supporting People Reserve: reserve established to meet potential future reductions in Supporting People Grant from Central Government. This balance will be drawn upon over the coming financial years.

Self Insurance Fund: Fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The Fund is used to pay the first £250,000 of any property

claim and the first £100,000 of other claims. External insurance covers the balance of claims.

Long Term Commitment: these reserves are mainly to do with commuted sums given to the Council from developers to maintain open spaces and playgrounds over a period of time. Also included are reserves for Planning Development and Building maintenance.

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

VAT Reserve: this reserve is held pending the outcome of an HM Customs and Excise appeal.

Specific Earmarked Reserves: Reserves held for specific corporate projects; for example the Timelord project, future elections and corporate system development.

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.

Waste Management Strategy: The fund will be used to help meet the revenue and capital costs associated with the Council's PFI arrangement for the provision of waste collection and disposal services over the twenty five year life of the contract.

39) Contingent Liabilities

Included in the Council's reserves is a sum of money re VAT on car park income: this is held as a provision for the repayment of VAT pending outcome of an HM Customs and Excise appeal.

At the time of preparing the Statements the Legal Service are aware of a number of judicial reviews going forward. There are also a number of minor disputes still to be resolved. These may become liabilities to the Council in the future.

The majority if not all of the Council's contract arrangements are supported by bonds and it is not foreseen that these will cause a liability to the Council in the near future. The Council as a prosecuting authority takes a large number of cases to the Magistrates and Crown Courts during a financial year and there is always a risk that costs may be awarded against the Council.

(40) Post Balance Sheet Events

After the Balance Sheet date the Council received £192,295 in respect of a VAT claim for Cultural Services under the Fleming / Conde Naste judgement. At this point in time the Council is not intending to make a further claim for compound interest.

(41) Other Government Grants

These Government Grants form part of the Cash Flow Statement.

	2008/2009 £000's
Learning skills Council	13,333
Standards Fund Grant	11,715
Concessionary Fares	334
Housing Planning Delivery Grant	428
Private Finance Initiative re Waste	2,312
Council Tax Benefit	7,425
Social Care Reform	98
Drug Action	96
Contact Point CYP	140
Under Fives free milk	100
Flood relief grant	50
Education grants	562
Sure Start	1,858
Asylum seekers	267
Youth Offending	218
Teacher recruitment	348
Supporting People	5,138
Other	459
Total Other Government Grants	44,881

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

	£000's	£000's
-		
General Fund deficit		395
Collection Fund Cash deficit		(253)
Non Cash Transactions		
Contribution to/(from) Reserves		8,558
Items on an accruals basis		
(Increase)/Decrease in Stock	(5)	
(Increase)/Decrease in Debtors	(4,224)	
Increase/(Decrease) in Creditors	19,705	
	<u>19,705</u>	
		<u>15,476</u>
Items classified outside Revenue Activities		<u>24,176</u>
		<u>24,176</u>
Revenue Activities Net Cash Inflow		<u><u>24,176</u></u>

(43) Cash flow Reconciliation to Balance Sheet

	Balance at 31/03/08 £000's	Cash Movement £000's	Balance at 31/03/09 £000's
Temporary Borrowing	2,725	1,400	4,125
Temporary Investments	(19,732)	13,562	(6,170)
Cash Overdrawn	(14,168)	13,187	(981)
Imprests	1,128	50	1,178
	(13,040)	13,237	197

(44) Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, known as the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the individual Schools Budget, which is divided into a budget share for each maintained school.

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000's	Individual Schools Budget £000's	Total £000's
Final DSG for 2008/09	0	0	92,825
Brought forward from 2007/08	0	0	216
Carry forward to 2009/10 agreed in advance	0	0	0
Agreed budgeted distribution in 2008/09	10,923	82,118	93,041
Actual Capital expenditure	(8,282)	0	(8,282)
Actual ISB deployed to schools	0	(82,118)	(82,118)
Local Authority contribution for 2008/09	81	0	81
Carry forward to 2009/10	2,722	0	2,722

(45) Trust Funds

The Council acts as Trustee for the Buller Trust. The funds do not represent assets of the Council, and they have not been included in the Balance sheet.

	Value of Fund
	£ 000'S
	2008/09
Buller Trust - Monies held on behalf of dependents	40

(46) Financial Instruments

With effect from 1st April 2007, all local authorities must adopt a major change of accounting policy in order to comply with the requirements of the SORP 2007. This has been re-affirmed in SORP 2008 and has been based on major changes in international accounting standards which have resulted in the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

These changes have been designed to present a higher quality of information, in line with the private sector. In order to help identify, quantify and inform on the exposure to and management of risk, new “fair value” disclosure requirements have been introduced. The need for this has arisen in recent years through the high profile failure of a number of financial institutions.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2008/09, to be valued on an amortised costs basis using the effective interest rate (EIR) method.

Fair Value

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Compliance

This authority has complied with the following: -

- it has adopted the CIPFA’s Treasury Management in the Public Services: Code of Practice

- set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code

TYPES OF FINANCIAL INSTRUMENTS

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the Balance Sheet are made up of the following categories of "financial instruments".

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31st March 2009 £000's	31st March 2008 £000's	31 st March 2009 £000's	31st March 2008 £000's
Borrowings				
Financial liabilities at amortised cost	22,880	24,005	3,000	1,600
Financial liabilities at fair value through profit and loss	-	-	-	-
Other borrowing (Finance lease)	-	-	-	-
Total borrowings	22,880	24,005	3,000	1,600
Investments				
Loans and receivables	-	-	6170	19,682
Available-for-sale financial assets	-	-	-	-
Fair value through Profit and Loss	-	-	-	-
Unquoted equity under available for sale	-	-	-	-
Total investments	-	-	6,170	19,682

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

2008/09	Financial Liabilities		Financial Assets		Total £000's
	Liabilities measured at amortised cost £000's	Loans and receivables £000's	Available- for-sale assets £000's	Fair value through P&L £000's	
Interest expense	(1,166)	(4)	0	0	(1,170)
Losses on derecognition	0	0	0	0	
Impairment losses					
Interest payable and similar charges	(1,166)	(4)	0	0	(1,170)
Interest income	0	1,202	0	0	1,202
Gains on derecognition	0				
Interest and investment income	0	1,202	0	0	1,202
Gains on revaluation					
Losses on revaluation					
Amounts recycled to the I&E account after impairment					
Surplus arising on revaluation of financial assets			0	0	0
Net gain/(loss) for the year	(1,166)	1,198	0	0	32

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling

the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the fair value is as advised in the PWLB Residual Maturity Analysis statement as at 31st March 2009.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

Client to expand rows as appropriate

	31 st March 2009		31 st March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
PWLB - maturity	22,880	27,045	24,005	27,426
LOBOs	-	-	-	-
Finance Lease	-	-	-	-
Bank overdraft	-	-	(40)	(40)
Short term borrowing	3,000	3,000	1,600	1,600
Financial liabilities	25,880	30,045	25,565	28,986

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST*Client to expand rows as appropriate*

	31 st March 2009		31 st March 2008	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Cash	116	116	-	-
Deposits with banks and building societies	6,170	6,170	19,651	19,651
Eurosterling Bonds	-	-	-	-
Other	-	-	-	-
Financial assets	6,286	6,286	19,651	19,651

The fair value is **equal to** the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate is receivable is not materially different from the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above/below current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**Key Risks**

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

- **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a designated treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

This Council's treasury portfolio is not of a significant size to provide significant treasury risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently

assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of **£5,000,000** and a limit on the maximum size of one transaction in placing a deposit of **£5,000,000**.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

TABLE 5 – CREDIT RISK (A)

	Amounts at 31st March 2009	Historical experience of default	Historical experience adjusted for market conditions as at 31st March 2009	Estimated maximum exposure to default and uncollectability
	£000's	%	%	£000's
Deposits with banks and other financial institutions	6,170	0.001	0.001	0
Bonds and other securities	0	0	0	0
Customers	4,831	0.75	1.0	48
Total	6,170			48

All deposits are short term (<13 months) and all counterparties are rated 'F1' or 'F1+' by Fitch* for short-term credit rating. All deposits are held with UK based institutions.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

* F1 – Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

Debtors

The Council does not generally allow credit for customers. The past due amount can be analysed by age as follows:

TABLE 6 – CREDIT RISK (B)

	31st March 2009 £000's
30 Days	2,462
60 Days	76
90 Days	36
120 plus Days	415
Total	<u>2,989</u>

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and the Public Works Loans Board (PWLB) for any purpose relevant to its functions under any enactment or for the purpose of the prudent management of its financial affairs. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

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

TABLE 7 – LIQUIDITY & RE-FINANCING RISK

On 31 st March 2009 £000's	Loans outstanding	On 31 st March 2008 £000's
	Public Works Loans	
22,880	Board	24,005
3,000	Temporary borrowing	1,600
0	Local bonds	0
0	Deferred purchase	0
0	Other	0
25,880	Total	25,605
4,125	Less than 1 year	2,725
1,125	Between 1 and 2 years	1,125
125	Between 2 and 5 years	1,250
0	Between 5 and 15 years	0
20,505	More than 15 years	20,505
25,880	Total	25,605
	Investments outstanding	On 31st March 2008
6,170	Temporary lending	19,682
6,170		19,682
6,170	Less than 1 year	19,682
6,170		19,682

Market Risk

Interest rate risk

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

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised

cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.

- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of **50%** of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

During the Financial Year and at 31st March 2009, the Council had no financial loan instruments with variable rates of interest.

Price risk

The Council does not generally invest in instruments with this type of risk.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

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.

2007/08 £000's		notes	£000's	2008/09 £000's
	Income			
(82,582)	Council Tax	(1)	(87,467)	
(47,137)	National Non-domestic rates	(2)	(71,793)	
(398)	Government Grants	(3)	(405)	
<u>(130,117)</u>	Total Income			<u>(159,665)</u>
	Expenditure			
	Precepts & Demands:	(4)		
71,422	West Berkshire Council		76,088	
8,474	Thames Valley Police Authority		9,035	
3,049	Royal Berkshire Fire Authority		3,279	
<u>82,945</u>				88,402
2,213	Transfer to General Fund in respect of estimated Distribution of surplus in respect of Council Tax	(5)		294
	Non-Domestic Rates:			
46,933	payments to the pool	(2)	71,451	
262	costs of collection		257	
<u>47,195</u>				71,708
20	Provision for non-payment of Council Tax	(6)		(125)
(58)	Provision for non-payment of NNDR	(7)		84
<u>132,315</u>	Total Expenditure			<u>160,363</u>
<u>2,198</u>	(Surplus)/Deficit			<u>698</u>
(2,213)	(Surplus)/deficit brought forward			(15)
2,198	(Surplus)/deficit for year			699
<u>(15)</u>	(Surplus)/deficit carried forward			<u>684</u>

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 2008 £000's		£000's	31 March 2009 £000's
90,435	Opening Debit :	95,687	
11,977	plus additional debit	11,214	
<u>102,412</u>			106,901
(10,770)	less reduced debit	(10,467)	
(2,628)	exemptions	(2,722)	
(6,356)	discounts	(6,160)	
(76)	disabled relief	(85)	
<u>(19,830)</u>			<u>(19,434)</u>
<u>82,582</u>	NET DEBIT		<u>87,467</u>

(2) National Non-Domestic Rates

As from 1st April 1994 each Authority received its National Non-Domestic rates (NNDR) 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 2008 £000's		£000's	31 March 2009 £000's
52,941	Opening Debit	75,891	
52,941			75,891
(4,698)	less empty and revalued properties	(1,683)	
(2,380)	Interest payments to the pool	(53)	
4,076	transitional relief	(15)	
(2,734)	mandatory relief	(2,281)	
(68)	discretionary relief	(66)	
(5,804)			(4,098)
<u>47,137</u>	NET DEBIT		<u>71,793</u>
262	Costs of Collection	257	
(58)	Contribution to Bad Debt Provision	85	
46,933	Net Contribution to pool	71,451	
<u>47,137</u>			<u>71,793</u>

The opening debit is arrived at by multiplying the total rateable value by the rate poundage (45.8 pence in the pound).

(3) Government Grants

The following grants have been credited to the collection fund:

2007/08 £000's		2008/09 £000's
(398)	Ministry of Defence Properties	(405)

(4) Precepts & Demands

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

- **Transfer to the General Fund**

This represents a transfer to the general fund in respect of the estimated surplus on the collection fund as at 31st March 2008. The deficit is shared between the

precepting bodies, West Berkshire Council received £253,176, the Thames Valley Police £30,040 and the Fire Authority £10,782.

• **Provision For Non Payment of Council Tax**

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

2007/08 £000's		2008/09 £000's
743	Opening Balance	500
(20)	Transfer from Income & Expenditure Account	(125)
(223)	Write Offs in the Year	(59)
<u>500</u>	Closing Balance	<u>316</u>

(7) Provision for non-payment of NNDR

2007/08 £000's		2008/09 £000's
1,348	Opening Balance	564
(58)	Transfer from the Income and Expenditure Account	84
(726)	Write Offs in the Year	(98)
<u>564</u>	Closing Balance	<u>550</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		Band D	
			Dwellings	Multiplier	Equivalent	
					£	
	Disabled	A	1.50	5/9	0.83	
	up to £40,000	A	1,799.85	6/9	1,199.90	
over £40,000	up to £52,000	B	4,977.90	7/9	3,871.70	
over £52,000	up to £68,000	C	16,445.15	8/9	14,617.91	
over £68,000	up to £88,000	D	15,785.70	9/9	15,785.70	
over £88,000	up to £120,000	E	9,330.70	11/9	11,404.19	
over £120,000	up to £160,000	F	6,009.35	13/9	8,680.17	
over £160,000	up to £320,000	G	3,735.60	15/9	6,226.00	
over £320,000		H	566.55	18/9	1,133.10	
					<u>62,919.50</u>	
Adjustment for Losses on Collection x					0.992	
					<u>62,416.14</u>	

Title of Report:	Heads of Service Assurance Statements	Item 6
Report to be considered by:	Governance & Audit Committee	
Date of Meeting:	29 June 2009	
Forward Plan Ref:	N/a	

Purpose of Report: To provide a summary of the issues raised by Heads of Service in their Assurance Statements that support the Council's Annual Governance Statement.

Recommended Action: Review the issues raised by Heads of Service.

Reason for decision to be taken: To support the Annual Governance Statement for the Council.

Other options considered: None

Key background documentation: None

The proposals contained in this report will help to achieve the following Council Plan Priority:

- X CPP3 – Reduce West Berkshire's carbon footprint** – to reduce CO₂ emissions in West Berkshire and contribute to waste management, green travel, transportation and energy efficiency

The proposals will also help achieve the following Council Plan Themes:

- X CPT1 - Better Roads and Transport**
- X CPT2 - Thriving Town Centres**
- X CPT3 - Affordable Housing**
- X CPT4 - High Quality Planning**
- X CPT5 - Cleaner and Greener**
- X CPT7 - Safer and Stronger Communities**
- X CPT9 - Successful Schools and Learning**
- X CPT11 - Protecting Vulnerable People**
- X CPT13 - Value for Money**
- X CPT14 - Effective People**
- X CPT15 - Putting Customers First**
- X CPT16 - Excellent Performance Management**

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:

Improving the governance arrangements of the Council.

Portfolio Member Details	
Name & Telephone No.:	Councillor Anthony Stansfeld 01488 658238
E-mail Address:	astansfeld@westberks.gov.uk
Date Portfolio Member agreed report:	17/6/09

Contact Officer Details	
Name:	Charles Morris
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Implications

Policy:	The Heads of Service Assurance Statement is a key part of the Council's Governance arrangements.
Financial:	None
Personnel:	None
Legal/Procurement:	None
Property:	None
Risk Management:	The Risk Management Process ensures risk registers and action plans are reviewed on a quarterly basis.
Equalities Impact Assessment:	None.

Executive Summary

1. Introduction

- 1.1. This report summarises the issues raised by Heads of Service in their Annual Assurance Statements.

2. Proposals

- 2.1. Corporate Board need to review the areas of concern, highlighted in the main report, and bring these issues into consideration at the next quarterly review of the Strategic Risk Register.
- 2.2. Governance and Audit Committee and Corporate Board need to consider the risks identified by Heads of Service to determine whether they have any impact on the Annual Governance Statement.

3. Conclusion

- 3.1. The Council's Risk Management framework is robust.
- 3.2. Corporate Directors to ensure that Action Plans are reviewed with their Heads of Service on a quarterly basis.

Executive Report

1. Introduction

- 1.1. The purpose of this report is to update Corporate Board on the evidence supplied by Heads of Service in their Assurance Statements for 08-09 and associated risk registers.

2. Annual Governance Statement

- 2.1. The Accounts and Audit Regulations 2006 require the Council to publish an Annual Governance Statement (AGS). The AGS is prepared annually by the "Governance Group" and is signed by the Leader and Chief Executive.
- 2.2. Each Head of Service is responsible for delivering the objectives set out in their service plan. Heads of Service are responsible for identifying and managing the risks that may affect delivery of service objectives. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place.

3. Assurance Statements

- 3.1. Each Head of Service is required to assist in the preparation of the AGS for the Council by providing an Assurance Statement for the internal control framework within their service. Taken together the Assurance Statements from the Heads of Service form a key part of the evidence that supports the AGS.
- 3.2. All Heads of Service have completed an Assurance Statement which has been reviewed and agreed by their Director and Portfolio Holder. Any areas of concern that they may have, (ie Red Risks) are highlighted on the associated service risk register.
- 3.3. Corporate Board should review the areas of concern, highlighted below, and bring these issues into consideration at the next quarterly review of the Strategic Risk Register.
- 3.4. A copy of the template for the Heads of Service to complete is attached as appendix A.

4. Risk Manager's Review of Red Risks

- 4.1. Risk Registers and Action Plans are reviewed by Heads of Service on a quarterly basis and are available to Corporate Board if required. All services completed their Assurance Statements.
- 4.2. Risks identified by Heads of Service range from general IT issues and insufficient funding to meet service objectives. Service delivery seems to be a concern for most Heads of Service through budget concerns which also have direct impact in recruiting to vacant posts.

4.3. Highways and Transport have highlighted that they require an increase in revenue funded resources to optimise maintenance. This will reduce the potential for insurance claims against WBC which are largely self-funded following accidents on the highway.

4.4. Summary by service of the number of red risks.

Service Area	Number of Red Risks
Legal	1
Benefits & Exchequer	0
Finance	0
Policy & Communication	0
Property	0
Special Projects	0
Human Resources	2
ICT	8
Highways & Transport	2
Countryside & Environment	0
Planning & Trading Standards	0
Children's Commissioning and Quality	2
Children's Services	0
Customer Services	0
Education Services	3
Cultural Services	1
Housing & Performance	2
Older People Services	4
Care & well being	0
System Transformation	2
Total	27

5 Areas of Concern highlighted by Heads of Service

5.1 The areas highlighted below have been taken from Service Risk Registers prepared by Heads of Service and reviewed by Directors.

Risk Register ref	Service	Area of Concern/ Risk Scenario	Existing Controls	Gross risk Score	Net Risk Score	Required Controls or Action
9	Legal & Electoral	Operational Land Charges	Register being held electronically with backup on a daily basis. Process of electronic capture needs to progress. System to be activated asap. Recruitment of project /technical manager from May 2008 to move project	12	8	Implementation of electronically held records. Total Land Charges System approved by ICT Strategy Board in March 2007. Original operational date 1st June 2007 (to coincide with introduction of HIPS). Delayed due to loss of manager and other staff and delay in introduction of HIPS.

			forward.			
1	Human Resources	IT systems too slow or inadequate for demand; poor productivity leads to staff complaints and customer complaints.	Corporate refresh plan in place	8	8	As a service we need to map and document the IT hardware and software required for each post and provide to IT to build into HR's IT plan.
3	Human Resources	Vacancy in the post of HR Manager (Recruitment and Information); service delivery affected, especially in longer term recruitment projects.	Monitor impact of vacancy closely. Head of HR to take over management of team in interim. Head of HR to take over management of team on interim	12	8	Make decision about recruitment to post taking into account MVF and savings targets
1.2	ICT	Internet connectivity long term loss circuit failure, ≥ 24 hrs [router failure isp issue]	Strong SLA with Supplier, Highly reliable BT Equipment, Continual Monitoring, Strong SLA with Supplier Highly reliable BT Equipment Continual Monitoring	8	8	Reviewing Redstone proposal for resilience

Risk Register ref	Service	Area of Concern/ Risk Scenario	Existing Controls	Gross risk Score	Net Risk Score	Required Controls or Action
1.9	ICT	Software failure, security incident; Citrix Secure Gateway or Access Gateway issues; Complete loss of Active Directory, IBM Blade Centre functionality; hardware failure, configuration error. Hardware SPF	Active Directory & Domain Controllers replicated to other Domain Controllers. Regular backups; Dual power supplies to blade centres; Key resources have static IP addresses	8	8	Gary Blackall looking into this on back of Timelord
1.11	ICT	Loss of device (theft or otherwise). Inappropriate access by unauthorised third party.	Kensington Locks available to all Encrypted Memory Sticks available to all Enforced passwords /policies on some devices	12	9	Consider encrypting hard disc of mobile PCs Develop user policies and guidance and raise staff awareness of issues
1.15	ICT	Hardware/software failure	Multiple paths to storage resources in most cases. Monitoring in place. Automatic fail over in place Extensive manual monitoring and maintenance	12	8	Continue manual monitoring/maintenance Replace in 2010
3.7	ICT	Failure of 3rd party /system / connectivity	Where ICT has been involved in the system procurement, the capability of the provider to provide a 24/7 system has been assessed and proactively managed.	12	8	Develop RACIs for each system (List separately as sub items)

Risk Register ref	Service	Area of Concern/ Risk Scenario	Existing Controls	Gross risk Score	Net Risk Score	Required Controls or Action
3.8	ICT	Implementation of a Change causes system outage	Change awareness group implemented. Change advisory board implemented.	12	8	Consider implementing forward schedule of change
4.5	ICT	Inability to keep pace with demand for upgrades Procedure too rigid/inflexible No in-house skills for delivery	Delayed upgrades/projects Frustrated customers High costs	12	12	Review Process/Resourcing
5.2	ICT	Partial /Total Loss of Power	Emergency generator installed UPSs in use in critical areas Remote access facilities available (if Computer Room still operable)	12	9	Continue to monitor local risks as part of Business Continuity Planning Implement additional controls where available
8	Highways & Transport	Highway Maintenance Insufficient funding to meet objective.	Flexible works programmes and budgets, although highway maintenance spend is considerably less than the average UA.	16	9	Despite a good VFM rating, further investment in the highway network is still required if road conditions and satisfaction targets are to be met.
10	Highways & Transport	Highway Maintenance Adverse weather including flooding.	Experienced staff; Targeted improvements; Increased capital budget in 2008/09; Winter Plan; Flood Plan; Highway Duty Officer; Proactive Traffic Management.	16	9	Although capital funding was increased in 2008/09 to fund an extensive programme of improvement schemes a high risk of flooding still exists and will continue to do so whilst the climate change issues still prevail. An increase in revenue funded resources is required to ensure optimum levels of drainage maintenance. This will help reducing insurance claims

Risk Register ref	Service	Area of Concern/ Risk Scenario	Existing Controls	Gross risk Score	Net Risk Score	Required Controls or Action
4.1	Children's Comm & Quality	Economic recession	Good Management Maximising external funding	9	9	Stringent budget monitoring Potential renegotiation of targets Maximise working with partnerships
4.3	Children's Comm & Quality	Non Delivery of Capital Programme PCP / BSF	New service structure in property Regular meetings Performance monitoring Service level agreement with property	12	9	Put in place remedial measures Retention of project Working protocol with colleagues in property
4	Educational Services	The recruitment process presents a risk to ensuring sufficient staffing to cover all tasks	Managers balancing staff and tasks	9	9	Flag recruitment problems as early as possible
11	Educational Services	Will not remove 4 secondary schools from Persistent Absence list if parents not committed to improving attendance and LA cannot deploy sufficient staff	Attendance monitoring. Active and proportional staff deployment plan. National Strategies monitoring.	12	9	Review deployment of resources
17	Educational Services	Recruitment of head teachers at risk as unable to fill vacancies with good calibre candidates	Leadership training; coaching; succession planning with heads to enable internal recruitment.	12	9	Increase federative working between schools

Risk Register ref	Service	Area of Concern/ Risk Scenario	Existing Controls	Gross risk Score	Net Risk Score	Required Controls or Action
CS 1	Cultural Services	Permanent closure of a public facility caused by the failure of the structure, or the mechanical and electrical plant and equipment, of the outdoor swimming pool at Northcroft Leisure Centre.	Comprehensive condition survey and options analysis has now been produced and will be considered by Executive later this year.	12	12	Essential maintenance works for 2009 summer season completed. Pool opening on schedule on Whit Bank Holiday weekend. Daily monitoring of pool water standards to be undertaken as part of Parkwood contract. Weekly visits by client monitoring team.
1	Housing & Performance	To manage the ongoing reduction in Supporting People Grant	Re tendering of Supporting People contracts to realise economies of Supporting People core group Inclusion of NI 141 and 142 in LAA Agree joint retraction plan with LD for those services identified as ineligible under the revised grant conditions supporting People Core Group to oversee development of Strategic Framework to manage impact Strategic review of all services leading to re-tendering of services	12	9	Agree retraction plan with LD for those services identified as ineligible under the revised grant conditions Re tendering of SP contracts jointly with Community Services Strategic review of all SP services Re-tendering of services

Risk Register ref	Service	Area of Concern/ Risk Scenario	Existing Controls	Gross risk Score	Net Risk Score	Required Controls or Action
2	Housing & Performance	Delivery of Supported Living development Programme	Project Board set up to monitor progress - lead officers have been identified to be involved Regular reporting through the TEB will monitor progress against MTFS assumptions Additional resource in place to support System Transformation Programme Board Close working with Members	16	12	Regular reporting through TEB monitoring of SLDP and System Transformation Board
A 1.1	Older People Services	Recruitment and retention	Use of agency & Locum Flexible working Recruitment process	12	8	Appropriate advertising Delegated recruitment budgets to provide services with autonomy HR SLA to ensure streamlined process Career pathways – equal access for all staff New recruitment initiative supported by HR
A.3	Older People Services	Financial Management	Joint strategic planning with NHS Resource Panel Accountancy Support Monthly budget meetings with HOS Income generation – fees and charges	12	9	Robust budget build Clear understanding of demographics and impact on services HOS involvement with budget management All budget managers trained to appropriate levels Budget management a key objective in appraisal

Risk Register ref	Service	Area of Concern/ Risk Scenario	Existing Controls	Gross risk Score	Net Risk Score	Required Controls or Action
B.1	Older People Services	Commissioning of High Quality Services	Contracting monitoring Accreditation and Monitoring Team Local Authority Market Analysis data from Care Quality Commission	12	8	Appointment of Contracts Manager Review of Safeguarding Adults Services and establishment of new service Market development with new providers Robust service specification for contract tendering with external agencies
B.2	Older People Services	Provision of High quality Services	Implementation of absence management procedures Recruitment initiatives Options appraisal for development of Home Care Services being drafted	12	8	Targets to reduce agency usage in care homes Lead manager to monitor and implement absence management – home care Locality working to reduce travel time – Home Care Implement preferred option for Home Care Service development.
1	System Transformation	Insufficient skills or capacity to deliver programme or projects within it	Programme governance, management and outline plan in place. Project governance and management in place for 1st wave projects. PMs trained or booked on training. Social Care Reform Grant prioritised on PM capacity. Recruitment in progress. Paths for escalation of issues established.	12	9	PM recruitment to complete (2 of 3 appointed). Ongoing peer support for PMs. Project estimates of other resources required - to be progressed with project managers. Consider backfill from SCR Grant.

Risk Register ref	Service	Area of Concern/ Risk Scenario	Existing Controls	Gross risk Score	Net Risk Score	Required Controls or Action
13	System Transformation	May fail to realise the efficiency savings commitments made in the MTFS	Collective responsibility in ToR for Board. Process of sign-off for project business cases in place.	12	9	Completion of entire financial framework for Programme (bringing in and clarifying. Preparing for the Future projects). Completion of business case and brief for all projects delivering MTFS savings. Signoff of all project modelling by finance, and an agreed method for measuring savings delivery. Project managers embed in project planning/delivery.

6 Recommendation

- 6.1 Corporate Board and Governance and Audit Committee should review the issues raised by the Heads of Service in their risk registers and consider whether there is any impact on the Annual Governance Statement or whether any of these issues pose a strategic risk to the Council.

Appendices

Appendix A - Format for Assurance Statements

Consultees

Local Stakeholders: Not consulted
Officers Consulted: Corporate Board
Trade Union: Not consulted

	Assurance Statement forService	
1	<p style="text-align: center;">Statutory obligations & Local Code of Corporate Governance</p> <p>The Head ofService has identified all principal statutory obligations and these are identified in theService Plan. The Service Plan clearly sets out how the statutory obligations will be delivered. The principles of Corporate Governance outlined in the Council's Local Code of Corporate Governance have been consistently applied in the delivery ofServices. In particular all managers within the service are aware of and follow the Council's Contracts Rules of Procedure and Financial Rules of Procedure.</p>	
2	<p style="text-align: center;">Service Risk Register</p> <p>The Head ofService has identified all risks that may affect the delivery of the service plan objectives. A formal annual review of the risk register was carried out, in conjunction with the Council's Risk Manager. In addition the Service Management Team reviewed the register each quarter. A copy of the Risk Register is attached</p>	
3	<p style="text-align: center;">Internal Controls</p> <p>The Head of Service has identified controls that are designed to mitigate the risks identified in 2 above. The Head ofService has assigned responsibility for the effective operation of each control to a nominated officer. The Head ofService has, through the 1.2.1 process, obtained assurance and evidence from each nominated officer that the controls have been tested and are operating effectively.</p>	
4	<p style="text-align: center;">Control Weaknesses</p> <p>The Head ofService has identified risks that are considered to be significant (Red) and that do not at present have effective controls to mitigate the level of risk. The Head ofService has put in place action plans to provide effective controls going forwards where resources allow.</p> <p>The Head ofService has through 1.2.1's and the Service Management Team, ensured continuous review of the progress of action plans. Where action plans have fallen behind schedule the Corporate Director has been informed.</p> <p>Where resources are not available to deliver the required controls the Corporate Director has been informed.</p>	

<p>5</p>	<p style="text-align: center;">Major Projects</p> <p>All projects within the service have been undertaken in accordance with the Council's approved Project Management Methodology. A risk register and action plan has been prepared for all major projects. The Corporate Board has been kept up to date on all issues relating to the risks to the delivery of each project</p>	
<p>6</p>	<p style="text-align: center;">Overall Assurance from Head of Service</p> <p>In my opinion the internal control framework of theservice is soundly based. All significant risks to the service objectives have been identified and controls are in place to mitigate those risks. The exceptions to this are listed in the Action plan to the Service Risk Register which also outlines progress towards implementing outstanding controls.</p> <p>Signed byHead of.....Service</p> <p>Date</p>	
<p>7</p>	<p style="text-align: center;">Corporate Director Review</p> <p>I have reviewed the processes set out above and the Service Risk Register and Action Plan, copy attached, with the Head of on an ongoing basis during the year both at 1.2.1's and at Service Group Management Team meetings.</p> <p>I agree with the opinion of the Head ofService set out in 6 above.</p> <p>Where actions to remedy weaknesses have fallen behind schedule, or resources available to deliver effective controls are inadequate I have drawn this to the attention of Corporate Board and the relevant portfolio holder.</p> <p>Signed byCorporate Director</p> <p>Date.....</p>	
<p>8</p>	<p style="text-align: center;">Portfolio Holder Review</p> <p>I have reviewed the statements contained above and the copy of the Service Risk Register and Action Plan which is attached.</p> <p>Signed byPortfolio Holder</p> <p>Date</p>	

Title of Report:	Annual Governance Statement - Statement In Support by the Monitoring Officer	Item 7
Report to be considered by:	Governance and Audit Committee - 29 June 2009	
Forward Plan Ref:	n/a	

Purpose of Report: To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.

Recommended Action: To note the report

Reason for decision to be taken: In accordance with CIPFA Guidance and current policy of the Council.

Key background documentation:

- Reports to Standards Committee on the review of ethics and probity during 2008/2009.
- Action plans relating to risk
- Local Determination Process adopted by Council June 2008

The proposals will also help achieve the following Council Plan Theme:

X CPT16 - Excellent Performance Management

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:

Reviewing and providing assurance on the effectiveness of the Council's governance and other arrangements which may impact on the Annual Governance Statement

Contact Officer Details	
Name:	David Holling
Job Title:	Head of Legal & Electoral Services/ Monitoring Officer
Tel. No.:	01635 519422
E-mail Address:	dholling@westberks.gov.uk

Implications

Policy:	Established as part of CIPFA guidance and reporting arrangements adopted by Council in connection with the Annual Governance Statement.
Financial:	No financial implication associated with this report
Personnel:	N/a
Legal:	In accordance with the provisions of the Local Government Acts 1972 and 2000 and the Local Government and Housing Act 1985 together with any amendments thereto. In addition the Local Government & Public Involvement in Health Act 2007 is applicable.
Risk Management:	Insofar as is possible any risks have been assessed in accordance with the Risk Strategy

Executive Summary

1. Introduction

- 1.1 As part of the Annual Governance statement, CIPFA guidance recommends that the S151 and Monitoring Officers give assurance that the Council's systems and procedures for which they have responsibility regarding internal controls are effective and being complied with. The Monitoring Officer looks at the legality of actions by bodies within the Council as part of duties under Section 5 of the Local Government and Housing Act 1989 (the 1989 Act)

2. Proposals

- 2.1 Throughout the year the Committee is referred to amendments to the Council's constitution and its rules of procedures where amendment is necessary. This ensures that administrative processes remain effective, efficient and pertinent.
- 2.2 Ethics and matters of probity are covered by Standards Committee. The introduction at local level of a new assessment regime as regards complaints about District and Parish Members has been developed in 2008/2009.
- 2.3 Reviews of risk registers have been carried out by the Monitoring Officer and S151 Officer in their roles as members of the Council's Corporate Board. In addition, liabilities likely to impact upon the Council's operations from a legal perspective where appropriate have been identified.

3. Conclusion

- 3.1 The Monitoring Officer's view of the Council's governance arrangements are that they are robust and effective. There has been no necessity to report formally to Council under Section 5 of the 1989 Act. Ethical matters are managed by the Standards Committee. The report is to be noted.

Supporting Information

1. Background

- 1.1 As part of the Annual Governance Statement, CIPFA guidance recommends that the Monitoring Officer and Section 151 Officer provide "a key source of assurance that the Council's systems and procedures of internal control which are in operation are effective, efficient and being complied with". In essence this requires the Monitoring Officer, as the Officer charged with ensuring that the Council, and every part of it, acts legally and is not acting in a manner thought to constitute maladministration or injustice. In addition, the Chief Financial Officer/S151 Officer similarly ensures that all parts of the Council act in accordance with the budgetary and policy requirements in connection with the setting of the budget and financial administration standards within the Council.
- 1.2 This report reviews the Annual Governance Statement and its requirements, in particular relating to ethical and probity matters, any changes to the Constitution regarding regulation and guidance, together with an assessment of risks and liabilities.

2. The Role of the Monitoring Officer

- 2.1 Section 5 of the Local Government and Housing Act 1989 requires the Monitoring Officer to prepare a formal report to full Council where it appears that the Council, a committee or an Officer has acted or is likely to act illegally, or in a manner such as to constitute maladministration or injustice. The Monitoring Officer's role in essence is to ensure the legality of local governance arrangements based upon statutory requirements and guidance from Government and other outside bodies. As mentioned above, this role complements that of the Section 151 Officer and the Head of Paid Service (the Chief Executive) whose roles are also established by statute. The Monitoring Officer is part of the Council's Corporate Board and during 2008/09 attended meetings with the Audit Commission.
- 2.2 The formal report process under Section 5 is one which should be approached with extreme caution and should not be undertaken lightly. If such action is proposed it is generally the view that outside advice from Counsel should be sought by the Monitoring Officer. During 2008/09 there have been no reports or investigations necessary which fall within the requirements of Section 5 of the 1989 Act.
- 2.3 The Monitoring Officer's advice has been sought in connection with a number of day-to-day administrative matters and in particular advice in connection with the Code of Conduct for Members and Officers. Training has been provided for Members and Officers on the Council's Code of Conduct and Officer Code.

3. Robustness of corporate governance arrangements

- 3.1 As Members will be aware, this Committee considers reports throughout the year regarding certain amendments which have been required in connection with changes to the Constitution. There have been none of significance in 2008/09, although improvements to the Contract Rules of Procedure and minor changes to delegations were considered.

- 3.2 This process ensures that the Council's administration remains efficient and effective and any changes which are needed are reflected in updated versions of the Constitution, provided to all Members/Officers and on the Council's website.

4. Ethics & Probity

- 4.1 As in previous years, ethics and probity matters were considered by the Council's Standards Committee. Training sessions for Members of West Berkshire Council and Parish and Town Councils have been held in order that the Council fulfilled its role as "Responsible Authority" under the Local Government Act 2000.
- 4.2 Whilst there were complaints and references to the Standards Board for England in early 2008 none of them required full investigation either by an Ethical Standards Officer or by reference to an Adjudication Panel.
- 4.3 As Members will be aware, on 8th May 2008, new regulations were introduced which transferred the local assessment of Standards Complaints from the Standards Board for England to local Standards Committees. The Council reviewed its processes and procedures and Council adopted new arrangements on 1st July 2008. To this end, the Standards Committee has developed new processes based on guidance issued by the Standards Board for England to deal with complaints locally in accordance with national legislation.
- 4.4 There has been a rise in complaints as a result of the introduction of the new regime. The Council's website provides a complaints form which is initially referred to an Assessment Sub-Committee. It determines if there is any breach of the Code and if so can refer matters for investigation by the Monitoring Officer or his representative or take no further action. If an investigator is appointed the individual reports back to a separate Hearing Sub-Committee to determine the matter. The expertise is developing and a review of current practice will take place in the forthcoming year.

5. Implementation of Action Plans from Strategic Risk Register

- 5.1 All strategic risks were placed on a risk register and reviewed by Corporate Board and Management Board on a quarterly basis throughout the year. They were then referred to the Governance & Audit Committee. All major risks were considered by individuals groups of Officers dealing with particular projects and actions arising from the "red risks" on service risk registers have been reviewed to ensure that the council's risks items are considered at the highest level. Both the Monitoring Officer and S151 Officer sit on the Corporate Board and attend Management Board.
- 5.2 Governance arrangements in respect of partnerships are being reviewed during this year and Officer groups are reviewing these requirements with a view to implementing arrangements via the local strategic partnership and its sub-groups.

6. Potential Liabilities

- 6.1 Whilst there have been cases considered by various courts during the year, none of these were of significance to warrant particular risks being identified. There were no major cases in the Crown Court or judicial reviews. Since the beginning of the new financial year a number of judicial reviews of Council

decisions have been lodged but these outcomes are not yet near to conclusion. These cases will be closely monitored.

7. Conclusion

- 7.1 Overall it is the Monitoring Officer's assessment that the Council's governance arrangements are robust and effective. Due to regular reviews of legislation, from Government which are covered off either by Governance and Audit Committee or the Standards Committee, the Constitution and its associated rules are pertinent and up to date. There have been no formal reports required by either the Monitoring Officer or S151 Officer to Council under the relevant legislation. Ethical matters relating to probity are being managed on a day to day basis by the Monitoring Officer and the Standards Committee. The Risk Register does not highlight any specific legal or procedural matters which require investigation.

Appendices

None

Consultation Responses

Local Stakeholders: N/a
Officers Consulted: Andy Day, Ian Priestley, Andy Walker
Trade Union: N/a

Title of Report:	Annual Governance Statement - Statement in Support by the Section 151 Officer	Item 8
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 June 2009	
Forward Plan Ref:	GAC1730	

Purpose of Report: To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Section 151 Officer.

Recommended Action: To note the report.

Reason for decision to be taken: In accordance with CIPFA Guidance and current policy of the Council.

Other options considered: None

Key background documentation: Action plans relating to risk.

The proposals will also help achieve the following Council Plan Theme:

CPT16 - Excellent Performance Management

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:

Reviewing and providing assurance on the effectiveness of the Council's governance and other arrangements which may impact on the Annual Governance Statement.

Portfolio Member Details	
Name & Telephone No.:	Councillor Keith Chopping - (0118) 983 2057
E-mail Address:	kchopping@westberks.gov.uk
Date Portfolio Member agreed report:	16/06/09
Contact Officer Details	
Name:	Andy Walker
Job Title:	Head of Finance / Section 151 Officer
Tel. No.:	01635 519433
E-mail Address:	awalker@westberks.gov.uk

Implications

Policy:	Established as part of CIPFA guidance and reporting arrangements adopted by the Council in connection with the Annual Governance Statement.
Financial:	No financial implication associated with this report.
Personnel:	N/A
Legal/Procurement:	In accordance with the provisions of the Local Government Acts 1792 and 2000 and the Local Government and Housing Act 1985 together with any amendments thereto.
Property:	
Risk Management:	Insofar as is possible any risks have been assessed in accordance with the Risk Strategy.
Equalities Impact Assessment:	Not required

Executive Summary

1. Introduction

- 1.1 As part of the Annual Governance Statement, CIPFA guidance recommends that the Section 151 Officer provides "a key source of assurance that the Council's systems and procedures of internal control which are in operation are effective, efficient and being complied with". The Chief Financial Officer/ s151 Officer is to ensure that all parts of the Council act in accordance with the budgetary and policy requirements in connection with the setting of the budget and financial administration standards within the Council.

2. Proposals

- 2.1 The definitive Statement on the Role of the Finance Director in Local Government is set out in a CIPFA publication of 2003. This identifies 5 key roles:

- Maintaining strong financial management underpinned by effective financial controls;
- Contributing to corporate management and leadership;
- Supporting and advising democratically elected representatives;
- Supporting and advising officers in their operational roles; and
- Leading and managing an effective and responsive financial service.

- 2.2 The s151 Officer is required to report to all the local authority's Members, in consultation with the Head of Paid Service and the Monitoring Officer if there is, or there is likely to be, unlawful expenditure or an unbalanced budget. Such a report known as a Section 114 report derives from the Local Government Finance Act 1998 as updated by the 2000 Act and Members of the Council are required to have regard to the s151 Officer's advice. Not to do so would be a breach of the Code of Conduct for Members which is enforceable by the Standards Board for England. Specified and explicit provision is now included in the Revised Code.

3. Conclusion

- 3.1 Overall it is the s151 Officer's assessment that all parts of the Council acts in accordance with the budgetary and policy requirements in connection with the setting of the budget and meets financial administration standards as set out in legislation. There have been no formal reports required by the s151 Officer to Council under the relevant legislation. The report is to be noted.

Executive Report

1. Background

1.1 As part of the Annual Governance Statement, CIPFA guidance recommends that the Section 151 Officer provides "a key source of assurance that the Council's systems and procedures of internal control which are in operation are effective, efficient and being complied with". The Chief Financial Officer/ s151 Officer is to ensure that all parts of the Council act in accordance with the budgetary and policy requirements in connection with the setting of the budget and financial administration standards within the Council.

2. Role of the Section 151 Officer

2.1 The definitive Statement on the Role of the Finance Director in Local Government is set out in a CIPFA publication of 2003. This identifies 5 key roles:

- Maintaining strong financial management underpinned by effective financial controls;
- Contributing to corporate management and leadership;
- Supporting and advising democratically elected representatives;
- Supporting and advising officers in their operational roles; and
- Leading and managing an effective and responsive financial service.

2.2 The s151 Officer is required to report to all the local authority's Members, in consultation with the Head of Paid Service and the Monitoring Officer if there is, or there is likely to be, unlawful expenditure or an unbalanced budget. Such a report known as a Section 114 report derives from the Local Government Finance Act 1998 as updated by the 2000 Act and Members of the Council are required to have regard to the s151 Officer's advice. Not to do so would be a breach of the Code of Conduct for Members which is enforceable by the Standards Board for England. Specified and explicit provision is now included in the Revised Code.

2.3 Each year the s151 Officer reports as part of the budget decision making process his opinion on the adequacy of reserves and robustness of the budget estimates.

2.4 The s151 Officer is consulted about a wide range of discretions under the Council's constitution, in particular exemptions to standing orders and contract rules of procedures. The s151 Officer maintains a file of all such exemptions given and discretions sought and granted. From a legal perspective the Monitoring Officer is also involved in certain decisions and records such involvement.

2.5 Throughout the year expenditure monitoring ensures that any budget overspends or income shortfalls are identified and corrective measures can be put in place to ensure that the overall council revenue budget keeps within the policy and budgetary framework agreed at the annual budget setting process. In 2008/09 the out-turn has delivered an acceptable level of overspend against the budget which had been previously been forecast back in period 9 and flagged against the Council's Risk Fund.

- 2.6 All Executive or other decision making body reports have clearly set out financial recommendations. It is the responsibility of the s151 Officer to ensure that the financial implications of all such decisions are adequately considered and that recommendations are based upon prudent financial advice. The s151 Officer is a member of Corporate Board and involved in all significant resource decisions of the authority.
- 2.7 The Council has a Medium Term Financial Strategy in place and has set up a Transformation and Efficiency Programme to assist the delivery of the Strategy. During the year the Council maintained its Use of Resources assessment at an improved 3 score. It also formalised a Finance and Governance Group of Officers whose membership includes both the s151 Officer and Monitoring Officer overseeing and monitoring all aspects of financial governance and escalating where necessary any issues that need Corporate Board action and support.
- 2.8 There has been no necessity to implement the Section 114 process during 2007/08 and the s151 Officer confirms the robustness of the financial and budgetary frameworks.

3. Conclusion

- 3.1 Overall it is the s151 Officer's assessment that all parts of the Council acts in accordance with the budgetary and policy requirements in connection with the setting of the budget and meets financial administration standards as set out in legislation. There have been no formal reports required by the s151 Officer to Council under the relevant legislation.

Appendices

There are no Appendices to this report.

Consultees

Local Stakeholders: N/A
Officers Consulted: Ian Priestley and David Holling
Trade Union: N/A

Title of Report:	Annual Governance Statement 2008-2009	Item 9
Report to be considered by:	Governance and Audit Committee	
Date of Meeting:	29 June 2009	
Forward Plan Ref:	GAC1730	

Purpose of Report: To provide an Annual Governance Statement for the Council.

Recommended Action: Review and comment on the Annual Governance Statement prior to signature by the Leader and Chief Executive.

Reason for decision to be taken: To allow the Leader and Chief Executive to sign the Annual Governance Statement.

Other options considered: None

Key background documentation: None

The proposals will also help achieve the following Council Plan Theme:

CPT16 - Excellent Performance Management

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:

Ensuring that the Council's Governance arrangements are robust

Portfolio Member Details	
Name & Telephone No.:	Councillor Keith Chopping - (0118) 983 2057
E-mail Address:	kchopping@westberks.gov.uk
Date Portfolio Member agreed report:	15 June 2009

Contact Officer Details	
Name:	Ian Priestley
Job Title:	Assurance Manager
Tel. No.:	01635 519253
E-mail Address:	ipriestley@westberks.gov.uk

Implications

Policy:	The Annual Governance Statement provides a critical review of the Council's Governance arrangements
Financial:	none
Personnel:	none
Legal/Procurement:	none
Property:	none
Risk Management:	Health and Safety and Partnership Risk require further work to ensure that effective systems are in place to mitigate the risks posed in these two key areas of the Council's business
Equalities Impact Assessment:	none

Executive Summary

1. Introduction

1.1 This report sets out the Annual Governance Statement of the Council for year 2008-09

2. Proposals

2.1 The Council needs to continue to build on the work undertaken in 2008-09 in respect to Health and Safety and Partnership Risk.

3. Conclusion

3.1 The Council's internal control framework is robust.

3.2 The Annual Governance Statement for 2007-08 outlined two areas where action was required. These were:

- (1) Partnerships
- (2) Health and Safety

3.3 In both the above cases a number of initiatives have been undertaken in 2008-09 to move these issues forwards. However, more work still needs to be done in both of these areas.

Executive Report

1. Introduction

- 1.1 The purpose of this report is to outline the purpose of the Annual Governance Statement (AGS) and explain how the necessary assurance to support the AGS 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 AGS

- 2.1 The AGS is designed to provide stakeholders of the Council with assurance that the Council has operated within the law and that the Council has met the requirements of the Accounts and Audit Regulations 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 AGS for 08-09 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 Risk Management framework of the Council
- 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 AGS with confidence.

- 2.3 The Annual Governance Statement was prepared by the Governance Group and reviewed by Corporate Board.

3 Role of Governance and Audit Committee re the AGS for 2008-09

- 3.1 A key function of the Governance and Audit Committee is to review and approve the AGS for 08-09 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 AGS the Committee needs to examine the evidence, noted in 2.2 above, that supports the AGS.

Appendices

Appendix A – Annual Governance Statement

Consultees

Local Stakeholders: Not consulted

Officers Consulted: Not consulted

Trade Union: Not consulted

Annual Governance Statement for the year 2008-2009

1 Scope of responsibility

- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 West Berkshire Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- 1.4 This statement explains how West Berkshire Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which West Berkshire Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables West Berkshire Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

3.1 The key elements of the systems and processes that comprise West Berkshire Council's governance arrangements are set out below and include arrangements for:

- identifying and communicating West Berkshire Council's vision of its purpose and intended outcomes for citizens and service users
- reviewing West Berkshire Council's vision and its implications for West Berkshire Council's governance arrangements
- measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's objectives and ensuring that they represent the best use of resources
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, the scheme of delegation, which clearly define how decisions are taken and the processes and controls required to manage risks
- the Governance and Audit Committee which performs the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities
- the Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistle-blowing and for receiving and investigating complaints from the public
- identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in West Berkshire Council's overall governance arrangements.

4 Review of effectiveness

4.1 West Berkshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within West Berkshire Council who have responsibility for the development and maintenance of the governance environment.

4.2 The following process has been applied in maintaining and reviewing the effectiveness of the governance framework, and includes

- The work of the Governance Group
- The work of the Risk Strategy Group and the Risk Management framework.
- The annual assurance statements produced by all Heads of Service
- The work of the Governance and Audit Committee

- The work of the Standards Committee
- The work of Internal Audit
- The work of the Overview and Scrutiny Commission.

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

5 Significant governance issues identified in the AGS for 2007-2008

5.1 The following is an outline of the significant governance issues that were identified in the 2007-08 AGS.

- Work needed to be carried out to ensure that the risks of partnership working are minimised
- Work needed to be carried out to embed a stronger Health and Safety culture within the Council

5.2 The following measures were implemented during 2008-09:

- A register of all partnerships was be drawn up and the governance arrangements of all significant partnerships will be reviewed. In addition support is being given to the Partnerships to help them develop their risk management arrangements, and the Governance and Audit Committee have extended their terms of reference to include the review of partnership risk management.
- A new Health and Safety Strategy for the Council has been prepared. This will shortly be approved by the Executive Committee. Fire and water risk assessments were carried out for all Council properties. A programme of capital works has been put in place to remedy issues identified in the Fire Risk Assessments. The Council's Compliance Officer is auditing safety management within Council properties.

6 Significant Governance Issues identified in 2008-09

6.1 The following is an outline of the significant governance issues that have been identified in preparing the 2008-09 AGS

- Further work is required to embed risk management within Partnership working
- The governance of Health and Safety needs to be strengthened.

6.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

- The Risk and Insurance Manager and Partnerships Manager will review the work undertaken by key Partners to set up and maintain risk registers.
- The Health and Safety Strategy will be reviewed and approved and the role of "Responsible Person" developed for each Council building to promote effective management of, and accountability for, Health and Safety risk.

Signed:

Nick Carter – Chief Executive

Graham Jones – Leader of the Council