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Notice of Meeting

Governance and Audit Committee

Monday, 5th September, 2011 at 6.00 pm

in Council Chamber Council Offices
Market Street Newbury

Date of despatch of Agenda: Thursday, 25 August 2011

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Stephen Chard on (01635) 519462
e-mail: schard@westberks.gov.uk

Further information and Minutes are also available on the Council's website at www.westberks.gov.uk

West Berkshire COUNCIL

To: Councillors Jeff Beck (Chairman), Paul Bryant, David Holtby, Tony Linden, Julian Swift-Hook (Vice-Chairman), Tony Vickers and Quentin Webb

Substitutes: Councillors Brian Bedwell, Adrian Edwards and Alan Macro

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Agenda

Part I

Andy Day
Head of Policy and Communication

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

If you require this information in a different format, such as audio tape, or in another language, please ask an English speaker to contact Moira Fraser on telephone (01635) 519045, who will be able to help.

Title of Report:	**KPMG's Governance Report (ISA 260+) - 2010-11**
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	5th September 2011
Forward Plan Ref:	GA2363

Purpose of Report: **To inform those charged with governance (the Governance & Audit Committee) of the findings from KPMG's external audit of the financial statements**

Recommended Action: **To note the report and any accompanying recommendations**

Reason for decision to be taken: Accounts and Audit Regulations 2011

Other options considered: none

Key background documentation: Financial Statements 2010-11

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

☒ **CPT13 - Value for Money**

Portfolio Member Details	
Name & Telephone No.:	Councillor Keith Chopping - (0118) 983 2057
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Date Portfolio Member agreed report:	25 August 2011

Contact Officer Details	
Name:	Joseph Holmes
Job Title:	Chief Accountant
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Implications

Policy:	none
Financial:	Included within the report
Personnel:	none
Legal/Procurement:	none
Property:	none
Risk Management:	none
Equalities Impact Assessment:	No decision required

Is this item subject to call-in?	Yes: ☐	No: ☒

If not subject to call-in please put a cross in the appropriate box:

The item is due to be referred to Council for final approval	☐
Delays in implementation could have serious financial implications for the Council	☐
Delays in implementation could compromise the Council's position	☒
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	☐
Item is Urgent Key Decision	☐

Executive Summary and Report

1. Introduction

1.1 The Council published its draft financial statements in late June 2011 following sign off from the council's Head of Finance and s151 officer. The financial statements are then required to be audited by our independent external auditor, KPMG, with a report presented to those charged with governance (the Governance and Audit Committee) by 30th September.

1.2 KPMG audited WBC accounts during July and early August, as well as completing interim work during the Spring. It is the result of this work that is included in their report.

1.3 The attached report at appendix B is KPMG's full governance report for this committee in respect of the audit of the 2010-11 financial statements.

1.4 The key aspect of the report is that KPMG will issue an unqualified opinion, that the adjustments identified during the audit have been amended in the financial statements and that the quality of the accounts and audit working papers have improved on the previous year.

1.5 KPMG looked at three specific areas of key audit risk:

(1) IFRS conversion

(2) The impact of staffing changes on provisions

(3) Valuation of Council assets.

1.6 In all the areas above KPMG did not identify any significant accounting issues and noted that the Council had performed strongly on its conversion to IFRS.

1.7 KPMG have raised three specific recommendations, and these are detailed in their report. One of these is a priority two, and the other two are priority three. KPMG have also highlighted some adjustments to be made which the Council has completed.

2. Proposals

2.1 The proposal is for the committee to note the contents of this report. KPMG have highlighted a number of recommendations which the Council is responding to.

3. Conclusion

3.1 For the committee to note the report and ask the external auditor any questions concerning the audit of the financial statements.

Appendices

Appendix A – Equality Impact Assessment
Appendix B – KPMG full governance report

APPENDIX A

Equality Impact Assessment – Stage One

Name of item being assessed:	KPMG report
Version and release date of item (if applicable):	
Owner of item being assessed:	KPMG
Name of assessor:	Joseph Holmes
Date of assessment:	25.8.2011

1. What are the main aims of the item?
To report to members KPMG's opinion on the financial statements

2. Note which groups may be affected by the item, consider how they may be affected and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender, Race, Religion or Belief and Sexual Orientation.)		
Group Affected	**What might be the effect?**	**Information to support this.**
Further comments relating to the item:		

3.	**Result** (please tick by double-clicking on relevant box and click on 'checked')
X	**No Relevance** - This **does not** need to undergo a Stage 2 Equality Impact Assessment

For items requiring a Stage 2 equality impact assessment, begin the planning of this now, referring to the equality impact assessment guidance and Stage 2 template.

4. Identify next steps as appropriate:	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	

Name: **Date**:

KPMG

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Report to those charged with governance (ISA 260) 2010/11

West Berkshire Council

DRAFT: 01 September 2011

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Greg McIntosh, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Introduction

This report summarises:

- **the key issues identified during our audit of West Berkshire Council's ('the Authority's) financial statements for the year ended 31 March 2011; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

We do not repeat matters we have previously communicated to you.

Financial statements

Our audit of the financial statements can be split into four phases:

Planning → Control Evaluation → Substantive Procedures → Completion

This report focuses on the final two stages: substantive procedures and completion. It also includes any additional findings in respect of our control evaluation that we have not previously communicated to you.

Our final accounts visit on site took place between 11 July 2011 and 19 August 2011 During this period, we carried out the following work:

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

We have also now completed our work in respect of the 2010/11 VFM conclusion.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2010/11 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

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

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2011. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	Our audit has identified a total of 3 current year audit adjustments with a total value of £78,186k to date. The impact of these adjustments is to: ■ Increase debtors and creditors on the balance sheet by £1,656k with no net impact on net worth. ■ Increase your financial instruments assets by £15,623k and your financial instruments liabilities by £39,730k which is a disclosure only item; and ■ Release £21,177k from creditors to income and £4,754k from contributions deferred to creditors which increases your net worth by £21,177k. This is recognised in the income and expenditure account and has no bottom line impact on the general fund balance; Additionally our work on IFRS restatement has identified the following adjustment: ■ Release £37,971k from 08/09 creditors and £26,378k from 09/10 creditors to income as part of our audit of IFRS restatement. This increased net worth and has no bottom line impact on the general fund balance; The current year and prior year income and expenditure account surplus on provision of services has increased each year to reflect the increases in net worth above. We have included a full list of significant audit adjustments at Appendix 3. All of these were adjusted by the Authority. As this report is draft we are expecting a number of further amendments relating to IFRS restatement and capital grants on the primary statements and relating to financial instruments in the disclosure notes. We have raised a number of recommendations in relation to the matters highlighted above, which are summarised in Appendix 1.
Critical accounting matters	We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.
Accounts production and audit process	We have noted an improvement in the quality of the accounts and the supporting working papers, particularly given the transition to IFRS, and the associated changes required. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.

Headlines (continued)

This table summarises the headline messages. The remainder of this report provides further details on each area.

Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ■ Whole of government accounts ■ Cashflow Statement Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
VFM risk areas	We consider that the authority is undertaking appropriate measures to ensure a strong financial position is maintained in the current economic and political environment and that the savings made and planned do not impact on the quality of service provided.

Proposed opinion and audit differences

We have identified issues in the course of the audit that are considered to be material. These relate to technical IFRS adjustments and officers have corrected these. These do not impact on the general fund balance.

We anticipate issuing an unqualified audit opinion.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 30 September 2011.

Audit differences

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

Our audit identified material adjustments relating to capital grants and contributions in the 08/09, 09/10 and 10/11 years. This is a technical issue relating to IFRS restatement and has not impacted on the general fund balance.

Excepting the above our audit identified a number of smaller adjustments which are not material but which the authority has taken the decision to correct. This includes an error relating to the IFRS requirement for an accumulated absences account which impacts on the 2009-10 I&E and an error of £1,656k contained within the current year balance sheet due to a creditor being posted as a negative debtor.

The tables on the right illustrate the total impact of the audit difference on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2011.

The net impact of this adjustment on the General Fund balance as at 31 March 2011 is nil.

Movements on the General Fund 2010/11

£m	Pre-audit	Post-audit
Surplus or (deficit) on the provision of services	678	37,647
Revaluation and actuarial surplus or (deficit)	56,058	56,058
Adjustments between accounting basis & funding basis under regulations	(62,568)	(99,537)
Transfers (to) or from earmarked Reserves	6,517	6,517
Increase or (decrease)in General Fund	**685**	**685**

Balance Sheet as at 31 March 2011

£m	Pre-audit	Post-audit
Property, plant and equipment	448,065	448,065
Other long term assets	390	390
Current assets	17,479	19,136
Current liabilities	(66,579)	(51,813)
Long term liabilities	(163,318)	(158,564)
Net worth	**236,037**	**257,214**
General Fund	(7,801)	(7,801)
Other reserves	(155,517)	(249,413)
Total reserves	**(236,037)**	**(257,214)**

Proposed opinion and audit differences (continued)

The wording of your Annual Governance Statement accords with our understanding.

Of the other audit adjustments we have identified, none have a monetary impact on the 2010-11 primary statements. One relates to a key disclosure note:

- The financial instruments disclosure note was materially mis-stated due to the exclusion of cash and relevant receivables and payables amounts under contract.

We have provided a summary of significant audit differences in Appendix 3. It is our understanding that these will be adjusted in the final version of the financial statements.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2010 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Critical accounting matters

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *Financial Statements Audit Plan 2010/11*, presented to you in February 2011, we identified the key risks affecting the Authority's 2010/11 financial statements.

We have now completed our testing of these areas and set out our final evaluation following our substantive work.

Overall we consider that the Council has conducted its IFRS restatement well and this is in line with expectations based on the well structured planning process on which we have previously reported. While we have identified adjustments resulting from our review of this work we consider that these are of a technical nature and are not indicative of significant weaknesses in the financial reporting process.

The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
IFRS Conversion Process	**Impact of conversion process** • The Council will require a lot of planning and resources to ensure a smooth and successful transition to IFRS.	Overall the Council has performed strongly in this area and has clearly benefited from beginning its work on this at an early stage. We have identified a number of technical adjustments relating to the treatment of capital grants and to the employee holiday accrual which have revised the IFRS restated figures in the draft accounts. We do not consider these to be due to significant issues with financial reporting processes.
Provisions	**Impact of staffing changes on provisions** • The Council will need to give consideration to any need for provisions in relation to planned redundancies	We have confirmed that where the Council has made provision for redundancy costs that this meets the IAS 37 provision criteria. We have not identified the need for any audit adjustments in this area.

Critical accounting matters (continued)

Key audit risk	Issue	Findings
	**Expected impact of IAS 16** • Local authorities are to component account for any additions or valuations on or after 1 April 2010. This means when an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate each component is accounted for separately.	We have confirmed during our final accounts testing of capital additions that items are being appropriately componentised and that this is being considered by the internal valuers in their work. The asset register system maintains asset details on a component basis and has been reconciled with the figures in the authority's accounts.

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has strengthened its financial reporting process through more detailed review of the accounts and working papers submitted for audit. There is scope to improve this further by considering further key elements of the example IFRS financial statements presented by CIPFA. This could include reflection on the presentation of the statements and the balance of information between the primary statements and the notes. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 1 July 2011. The Annual Governance Statement was received on 5 August 2011.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued on 16 February 2011and discussed with the Chief Accountant set out our working paper requirements for the audit. The quality of working papers provided was satisfactory and met the standards specified in our *Accounts Audit Protocol*.

Element	Commentary
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time.

Prior year recommendations

The Authority has now implemented all of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.

Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of West Berkshire Council for the year ending 31 March 2011, we confirm that there were no relationships between KPMG LLP and West Berkshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate 'audit matters of governance interest that arise from the audit of the financial statements' to you which includes:

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc.);
- other audit matters of governance interest.

There are no others matters which we wish to draw to your attention.

New VFM audit approach

We follow a new VFM audit approach this year.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Overview of the new VFM audit approach

For 2010/11, auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit

The key elements of the VFM audit approach are summarised in the diagram below.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

The following pages include further details on the specific risk-based work.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations as part of our 2011/12 audit work.

Priority rating for recommendations		
Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	(three)	**Format of the Accounts** Observation The accounts submitted for audit largely follow the format of the prior year UK GAAP compliant accounts. While these have been adapted for IFRS transition there are a number of areas where the CIPFA template guidance in their '*Example Financial Statements and Notes to the Accounts for Local Authorities 2010-11*" could be more closely adopted both to aid the accounts preparation process and the ease of use of the accounts for the reader. Risk Accounts are not presented in a format that is easily understood by readers. Recommendation We recommend that moving forward the Council reviews the disclosures in its accounts and considers revising these to the more simplified format suggested by CIPFA in areas where it considers this to be appropriate. This includes reflection on the balance of information presented between the notes and primary financial statements.	

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
2	● (two)	**Capital Grants** Observation Within the creditors figure in the accounts received for audit were £25m of amounts relating to capital grants received in advance. Under the new IFRS guidance £21m of these should have been released to income as they did not have conditions attached whereby they would be likely to be repaid. Risk Grant income is not realized in the appropriate financial year and the authority's surplus is therefore understated. Recommendation The Council should develop an evidenced process for reviewing all new grant income and assessing whether it has conditions attached.	

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
3	● (three)	**Financial Instruments** Observation The financial instruments figures in the accounts submitted for audit did not include an assessment of amounts within receivables and payables which could potentially meet the definition of a financial instrument. Risk This is a key disclosure note and not including financial instruments can significantly alter the view of the authority's financial position for the reader of the accounts. Recommendation The Council should develop a formal structured process for preparing this note to ensure that all relevant accounts are considered with regard to whether they could be financial instruments.	

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2009/10.*

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2009/10* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	9
Implemented in year or superseded	9
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2011
1	● (two)	**Journal controls** Observation Two types of journals are used by West Berkshire Council; 'Actools' journals, and 'Online' journals. We identified as part of our review that 'Online' journals do not require authorisation, and can be posted by officers working in the business units within the Council. We note that an authorisation process is in place for 'Actools' journals, and that management accounts can be used to identify significant journal errors for both 'Online' and 'Actools' journals. Risk Journals may not be raised appropriately Recommendation West Berkshire Council should look to eliminate the use of 'Online' journals, and move to only using the 'Actools' process.	Joseph Holmes 1.4.2011	Implemented.

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2011
2	● (two)	**Payroll controls** Observation The following issues were identified as part of our review of the Council's controls in respect of payroll: 1.Although exceptions reports are being produced, they do not identify amendments to grade, role, spine point, or hours; 2.Although establishment lists are issued to budget holders, there is no process by which the results of this exercise are collated; 3.We sampled 25 starters and identified one instance where a form authorising the appointment of the new starter could not be located; 4.We sampled 25 leavers and identified one instance where an employee hadn't worked for the Council for two years, but remained on the payroll system. We note that no payment had been made during these two years; and 5.We sampled 25 payroll payments and identified one instance where costs had been incorrectly allocated across budget codes. Risk There is a risk that the combination of these issues could mean that a payroll error could go unidentified. We note that significant errors would be identified through review of the management accounts. Recommendation HR should request that budget holders confirm that they have reviewed their establishment list at least every quarter. Any issues identified through this process should be investigated by HR.	Rob O'Reilly 31.12.2010	Implemented with the exception of point 1. The Council have accepted all recommendations with the exception of item 1 on the basis that the items raised are not considered to be exceptions and would not be considered relevant to the report reviewed. Superseded.

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2011
3	● (two)	**Authorising expenditure** Observation Expenditure is initiated either through West Berkshire Council creating a purchase order, or through receiving an invoice, for which a purchase order has not been created. We identified that: •Prior to November 2009 the same person could both requisition and authorise a purchase order as long as they had the appropriate authorisation limit. This means that the 2009/10 accounts will include expenditure for which there has not been appropriate segregation of duties; and •The authorisation of payments for non-purchase order transactions is only undertaken for those worth over £5000. Risk There is a risk that payments are not appropriately authorised. Recommendation The Council should introduce sampling of all expenditure made through non purchase order transactions under £5,000 to ensure it is appropriate. This exercise should be documented and subject to manager review	Steve Duffin 31.12.2010	Implemented.

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2011
4	(two)	**Controls over staff transfers** Observation For SX3 (council tax and NNDR system) authorisations for changes in job function are not kept. Risk Users could be given an inappropriate level of access to the system if the appropriate authorisation is not obtained. Recommendation All authorisation obtained for all changes to user access levels should be documented and retained.	Steve Duffin 20.09.2010	Implemented.
5	(two)	**Password controls** Observation There are no password complexity requirements in iCON (cash receipting system) or ResourceLink (payroll system). Password duration for users in ResourceLink varies between 0 and 999 days. Risk A lack of complexity makes passwords easier to guess, which could undermine accountability and also allow users to gain unauthorised access to privileged Recommendation We recommend that all systems be updated to enforce standard password settings as detailed in the IT Security Policy: •minimum 8 characters; •containing both upper and lower case letters and one numerical digit; and •enforced change every 90 days.	Steve Duffin 31.10.2010	Implemented.

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2011
6	(two)	**Review of users** Observation No periodic reviews of which users have access take place for iCON (cash receipting system), ResourceLink (payroll system) or SX3 (council tax system). Risk There may be users in the system who have left the company or who have inappropriate levels of access for their job role. Recommendation We recommend that a quarterly user review be performed and retained as evidence for audit trail for all systems.	Steve Duffin 31.10.2010	Implemented.
7	(two)	**Super users** Observation The Head of Benefits and Exchequer currently has supervisor access to ResourceLink (payroll system). Risk It is inappropriate for management to have super user access, as management override could easily be used to bypass authorisation controls in place to ensure accurate financial information. Recommendation The access level for the Head of Benefits and Exchequer should be reviewed to ensure that they only have the level of access necessary to perform their role.	Steve Duffin 30.09.2010	Implemented.

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2011
8	● (two)	**Changes to configuration settings** Observation Changes to the "System Control" task, the area of ResourceLink (payroll system) where system configuration settings are maintained, are not logged. Risk An adequate audit trail may not been maintained for system changes Recommendation System audit logging capability for this task should be enabled and changes made to system configuration settings regularly reviewed to ensure that unauthorised changes to core system functionality do not occur.	Steve Duffin 30.9.2010	Implemented.
9	● (two)	**Members interests** Observation Member interests are recorded through members completing a change of interests forms when their circumstances change. An initial form is completed when they join the Council, there is however no central register of members interests. Nor are members required to confirm that there hasn't be a change to their interests on an annual basis. Risk Members interests are not adequately recorded and monitored. Recommendation A database of members interests should be created that can be updated with changes as necessary. Forms declaring changes should be kept as evidence of the members interests. Members should be required to confirm their interests on an annual basis.	David Holling 1.1.2011	Implemented.

Appendix 3: Audit differences

As part of IFRS restatement the authority is required to release grants to income provided they have no conditions which would require their repayment.

Our audit work identified a number of such grants which should have been released during IFRS restatement and this has required a number of adjustments to both prior and current year. None of these have any impact on the general fund balance.

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

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of West Berkshire Council's financial statements for the year ended 31 March 2011. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Impact (£'000)					Basis of audit difference
Income and expenditure statement	**Adjustments btw. accounting basis & statute**	**Assets**	**Liabilities**	**Reserves**	
		Dr Debtors 1,656	Cr Creditors 1,656		A creditor for £1,656 relating to net business rate amounts due to government was accounted for as a negative debtor.
Dr 10/11 Net Cost of Services 12,957 Cr 10/11 Capital Grants and Contributions 8,483	Cr Adjustments involving the capital reserves 4,474		Dr 10/11 Creditors 16,423 Dr 10/11 Contributions Deferred 4,754	Cr Capital Reserves 21,177	As part of IFRS restatement the authority should have released £21,777k of capital grants from creditors as these had no conditions attached by which they were likely to have been required to be repaid. Due to the recognition of income in 2008-09 and 2009-10 as part of IFRS restatement adjustments the opening creditor balances change. As such the £21,177k released on the left is higher than the adjustment to the I&E as an element of these creditors has already been released as income in earlier years.
Dr 4,474	**Cr 4,474**	**Dr 1,656**	**Dr 19,521**	**Cr 21,177**	**Total impact of adjustments**

Appendix 4: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Governance and Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 4: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of West Berkshire Council for the financial year ending 31 March 2011, we confirm that there were no relationships between KPMG LLP and West Berkshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 5: Management Representation Letter

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of West Berkshire Council ("the Authority"), for the year ended 31 March 2011, for the purpose of expressing an opinion as to whether these:

(i) give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the Authority's expenditure and income for the year then ended; and

(ii) have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

- give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the Authority's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. [ISA (UK&I) 580.10]

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable. [ISA (UK&I) 540.22]

3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 require adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

Information provided

4. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence. [ISA (UK&I) 210 6b(iii)]

5. All transactions have been recorded in the accounting records and are reflected in the financial statements. [ISA (UK&I) 580.11b]

6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error. [ISA (UK&I) 240.39a]

Appendix 5: Management Representation Letter

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud. [ISA (UK&I) 240.39b]

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

7. The Authority has disclosed to you all information in relation to:

(a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and [ISA (UK&I) 240.39c]

(b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others. [ISA (UK&I) 240.39d]

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. Further, the Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. [ISA (UK&I) 250.16; ISA (UK&I) 501.12]

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. [ISA (UK&I) 550.26a,b]

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

10. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

(a) all significant retirement benefits, including any arrangements that:

- are statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- are funded or unfunded; and
- are approved or unapproved,

have been identified and properly accounted for; and

(b) all settlements and curtailments have been identified and properly accounted for. [APB PN 22]

This letter was tabled and agreed at the meeting of the Governance and Audit Committee on 5th September 2011.

Yours faithfully,

Chair of the Audit & Governance Committee/

Head Of Finance

cutting through complexity™

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Title of Report:	**Financial Statements 2010-11**
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	5th September 2011
Forward Plan Ref:	GA2218

Purpose of Report: **To approve the Financial Statements for 2010-11**

Recommended Action: **To approve the Financial Statements of West Berkshire Council for 2010-11.**

Reason for decision to be taken: Accounts and Audit Regulations 2011

Other options considered: none

Key background documentation: Financial Statements 2010-11

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

☒ **CPT13 - Value for Money**

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 June 2011

Contact Officer Details	
Name:	Joseph Holmes
Job Title:	Chief Accountant
Tel. No.:	01635 519474
E-mail Address:	jholmes@westberks.gov.uk

Implications

Policy:	none
Financial:	Included within the report
Personnel:	none
Legal/Procurement:	none
Property:	none
Risk Management:	none
Equalities Impact Assessment:	EIA 1 Completed

Is this item subject to call-in?	Yes: ☐	No: ☒

If not subject to call-in please put a cross in the appropriate box:

The item is due to be referred to Council for final approval	☐
Delays in implementation could have serious financial implications for the Council	☐
Delays in implementation could compromise the Council's position	☒
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	☐
Item is Urgent Key Decision	☐

Executive Summary and Report

1. Introduction

1.1 The Council published its draft financial statements in late June 2011 following sign off from the council's Head of Finance and s151 officer. The financial statements are then required to be audited by our independent external auditor, KPMG, with a report presented to those charged with governance (the Governance and Audit Committee) by 30th September.

1.2 The report preceding this item on the agenda details KPMG's findings from their audit. The Council have accepted these recommendations and have amended the draft financial statements issued in June to reflect any amendments proposed. The full copy of the financial statements are provided in appendix B.

1.3 As noted in the previous report, KPMG have provided an unqualified opinion on the financial statements as well as a Conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2. Proposals

2.1 The proposal is for the committee to approve the financial statements for release as final and to replace the draft set currently on the Council's website subject to KPMG's final review.

3. Conclusion

3.1 For the committee to note the report and ask the external auditor any questions concerning the audit of the financial statements.

Appendices

Appendix A - EIA
Appendix B – Financial statements

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Equality Impact Assessment Template – Stage One

Name of item being assessed:	Financial statements 2010-11
Version and release date of item (if applicable):	5th September 2011
Owner of item being assessed:	Joseph Holmes
Name of assessor:	Joseph Holmes
Date of assessment:	9.8.2011

1. What are the main aims of the item?
To approve the financial statements for the Council for 2010-11

2. Note which groups may be affected by the item, consider how they may be affected and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender, Race, Religion or Belief and Sexual Orientation.)		
Group Affected	**What might be the effect?**	**Information to support this.**
Further comments relating to the item:		

3.	**Result** (please tick)
☐	**High Relevance** - This needs to undergo a Stage 2 Equality Impact Assessment
☐	**Medium Relevance** - This needs to undergo a Stage 2 Equality Impact Assessment
☐	**Low Relevance** - This needs to undergo a Stage 2 Equality Impact Assessment
☒	**No Relevance** - This does not need to undergo a Stage 2 Equality Impact Assessment

For items requiring a Stage 2 equality impact assessment, begin the planning of this now, referring to the equality impact assessment guidance and Stage 2 template.

4. Identify next steps as appropriate:	
Stage Two required	☐
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	☐

Name: Joseph Holmes **Date**: 09 August 2011

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West Berkshire Council

Financial Statement of Accounts 2010-11

(Subject to final review by KPMG)

Contents

Introduction to West Berkshire

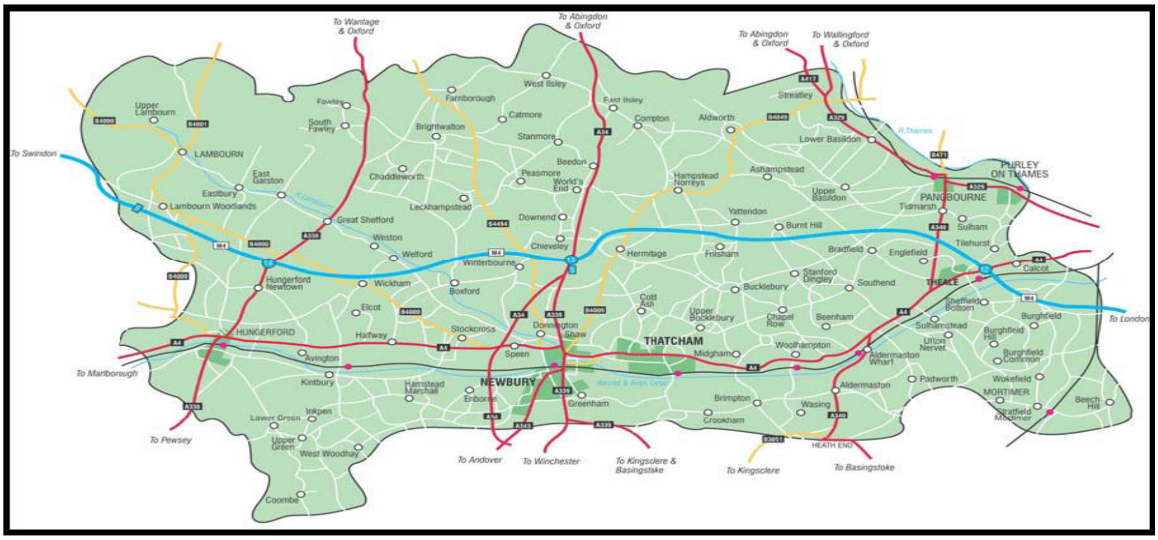
West Berkshire is an administrative area of 704 square kilometres containing extensive rural areas; 74% of the land area lies within the North Wessex Downs Area of Outstanding Natural Beauty (AONB). There are two main urban areas, the towns of Newbury and Thatcham and the urban areas of Tilehurst and 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 80 maintained schools in West Berkshire and the area is known for its high educational standards. Community Care and Children and Young People are high on the community agenda.

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

Foreword to the financial statements 2010-11

What do the accounts mean?

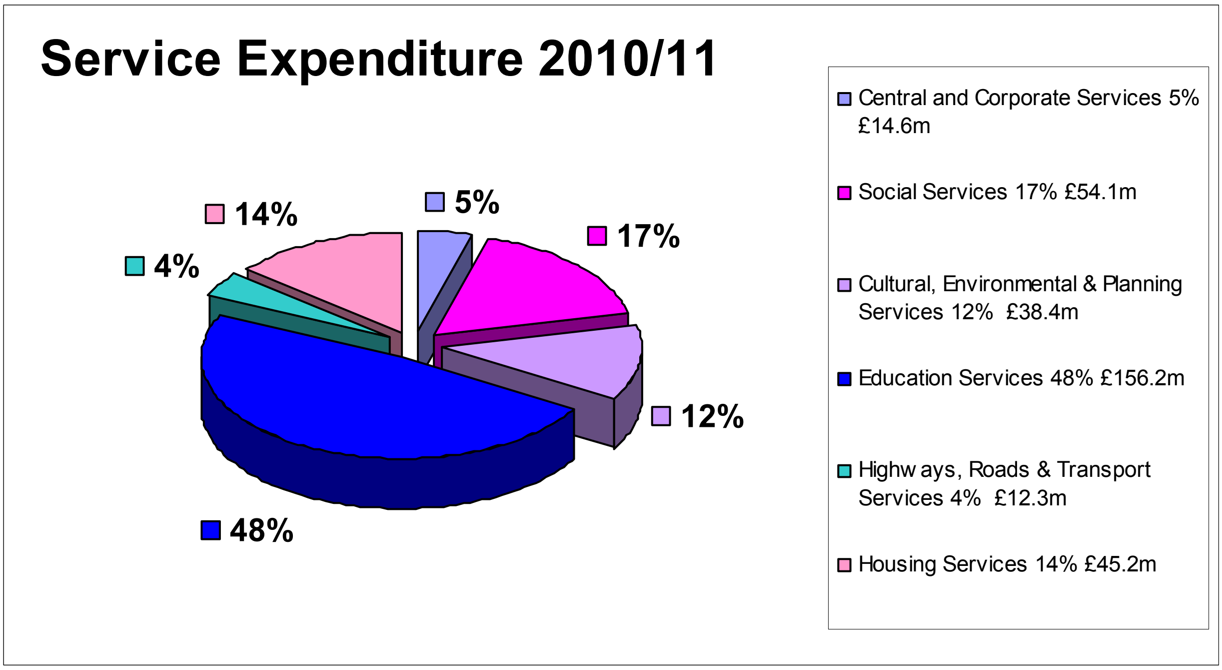
Users of the financial statements will have a variety of interests in the financial statements of the Council; some of the primary areas of interest will be:

- Did the Council make a surplus or deficit for the financial year?
- What is the size of the council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) Code for Local Government to allow comparability with other local government accounts as well as other public and private sector financial statements.

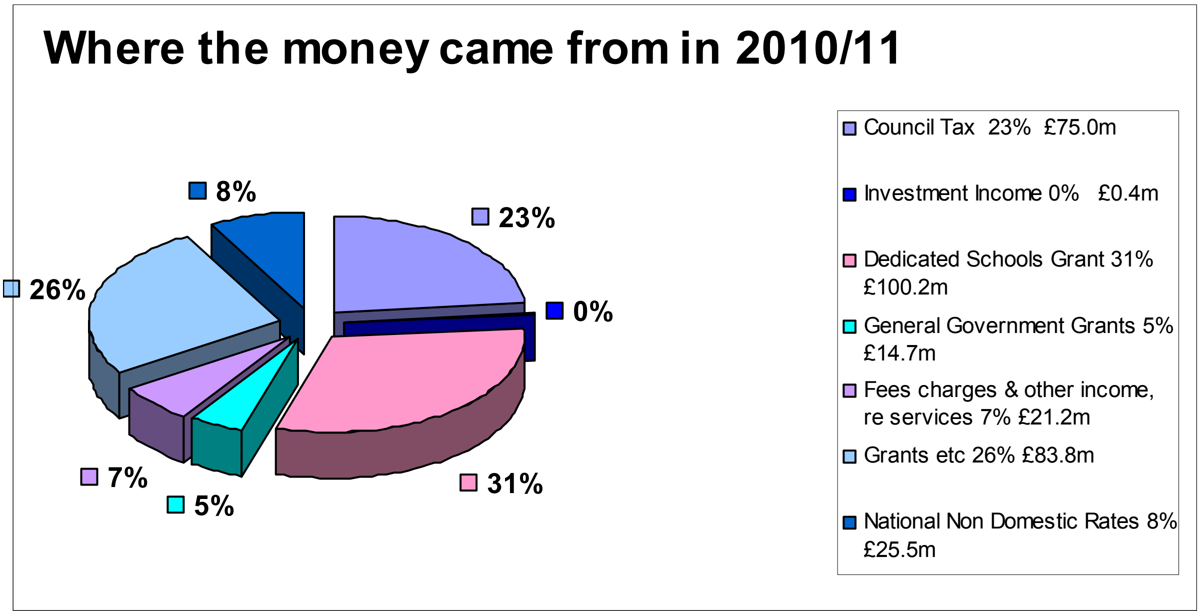
For the 2010-11 financial year, the Council produced an under spend of £686k. The level of the Council's general reserve stands at £7.8m.

Where the Council spends money:



The Council spends money on a variety of services that it delivers to the residents of West Berkshire, the chart above outlines where this money is spent.
The Expenditure of £320.8m does not include capital financing charges nor the non distributed costs which is mainly the refund for past service costs relating to pensions.

Where the Council receives income: the Council's key sources of income are from Central Government through grants and from local residents in the form of Council Tax and fees and charges for services.



Overview of the financial year 2010-11

It is unlikely that the Council will face a more turbulent year than 2010-11 when there were a number of changes to funding levels as well as significant changes to accounting practices. The Emergency Budget announced by the new Coalition Government in June 2010 saw the Council's net budget reduce by £1.054m. This budget also saw the removal of Planning Delivery Grant and Local Area Agreement Reward monies that the Council had anticipated receiving. In response to the Emergency budget the Council enacted a corporate recruitment freeze to deliver savings, as well as reducing some areas of expenditure targeted by central Government in its reduction to Area Based Grant.

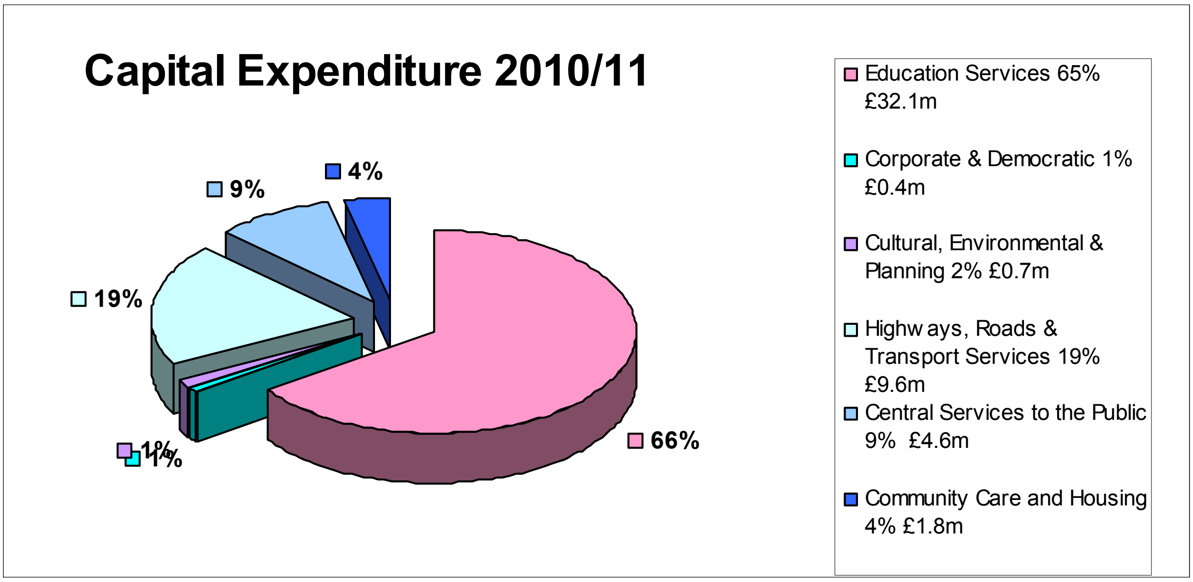
As part of the Council's implementation of IFRS, it has changed its policy on the accounting treatment of certain long term elements of highways expenditure from revenue to capital expenditure. This has given the Council a one-off net revenue benefit of circa £1.5m, but with additional capital borrowing costs to fund this expenditure.

The Council service areas managed to achieve a broadly balanced position. The Adult Social Care service overspent by £1.6m against its revised 2010-11 budget; this figure is net of additional one-off monies of £326k from the Department of

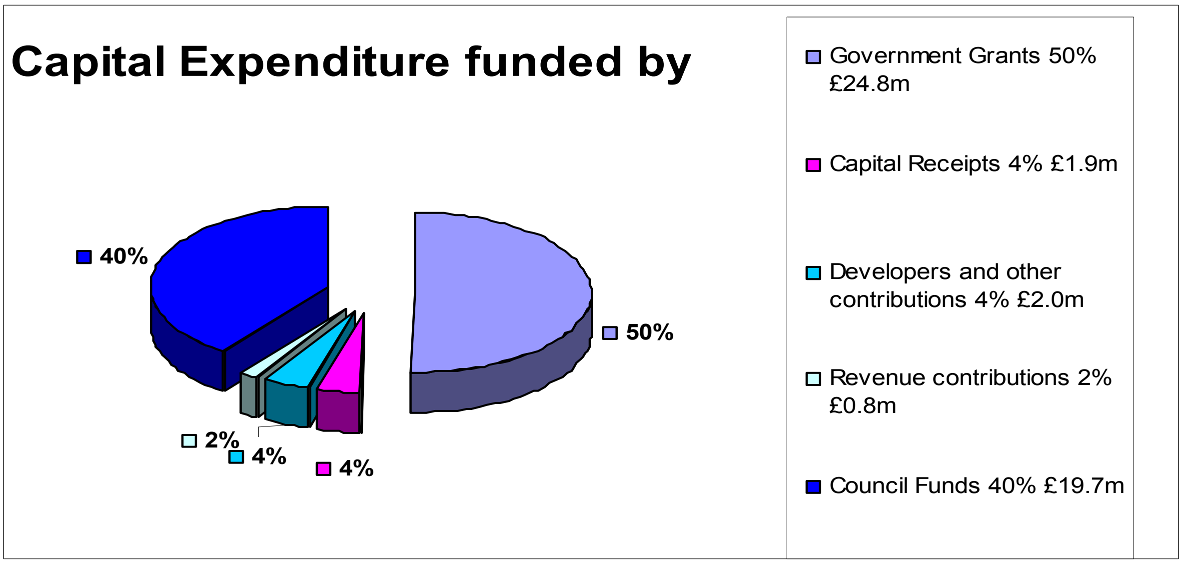
Health. The majority of the Council's other services contributed underspend positions; no one service delivered an underspend that is noteworthy on its own. A full copy of the outturn report can be found on:

http://decisionmaking.westberks.gov.uk/ieListDocuments.aspx?CId=117&MId=1148&Ver=4

The total capital expenditure and funding: The Council's capital expenditure totalled 49.2m of which 19.7m was funded by the Council. Capital expenditure helps procure and maintain the Council's longer term assets, such as school buildings, roads and Council buildings. The chart below shows the expenditure split over the different service areas.



The Chart below shows how the Council's gross capital expenditure of £49.2m was funded. As can be seen the vast majority of the Council's investment in capital was funded either by central government grant or by the Council financing expenditure itself.



Audit

The Council is externally audited by KPMG. The Council cannot choose its auditor, and KPMG have been appointed by the Audit Commission who procure audit appointments for all of Local Government. The external auditors complete their audit in as efficient manner as possible, and where they can they rely on the Council's own internal auditors so as not to duplicate some areas of work. KPMG will deliver their opinion on the financial statements to the Governance and Audit Committee in September 2011.

The Government is currently consulting on the future of local public audit with the aspiration for the 2012/13 financial year that the Council will be able to appoint its own auditors.

Changes to the presentation of these statements for 2010-11

This is the first year that Local Government has been required to account in accordance with International Financial Reporting Standards (IFRS). One of the key changes is that there are three columns in the Consolidated Balance Sheet rather than the two columns in the past that represent the current and previous financial years. These three columns show the position:

- At 01/04/2009 – to show a starting point under IFRS
- At 31/03/2010 – to show comparative information of how the statements have changed during the year under IFRS, and how they compare to the current position
- At 31/03/2011 – to show the latest position under IFRS

Some of the primary financial statements have changed name, but represent similar transactions. The Statement of the Movement on the General Fund Balance is now the new Movement in Reserves Statement.

There are also a number of new and amended disclosure notes in the financial statements as well as the accounting policies that the Council uses when preparing these financial statements. The accounting policies and restated 2009-10 figures were approved by the Governance and Audit committee in March 2011.

In 2010-11 the Government changed the pension uplift factor from RPI to CPI inflation. This has assisted in reducing the pension's deficit figure in the Balance Sheet account by £68m. The Council has followed CIPFA's Local Authority Accounting Panel guidance for the treatment of this change.

Looking to the future

The Coalition Government has announced a number of changes and consultations that will have a significant impact on the financial arrangements around the provision of Council services in the future.

The broadening of Academy schools status will have a significant impact on the Council's financial statements. At the time of writing the district has two Academy schools (both became such in the 2011-12 financial year). The impact on the Financial statements will be that their income and expenditure is no longer included in the accounts, nor are these school's assets and liabilities. If a number of schools did become Academy Schools, then this would significantly diminish the Council's portfolio of fixed assets in the financial statements but, at present, leave the Council with the borrowing costs in its financial statements. Owing to the significant pension's deficit reducing the Council's net financing balance, the Council could be in the position of having a negative Balance Sheet if a number of schools became Academies.

The Government is also currently engaged in the Local Government Resource Review. This is reviewing whether business rates are to be 're-localised'. If such a move was completed, then by 2013 the current system of business rate pooling would be abolished and replaced, with the Council potentially retaining business rate income, and any increases in business rate yield. This would again impact on the Council's financial statements as the Collection Fund would be radically altered as would the Council's reliance on central Government funding streams.

Explanation of the statements

The statements included in the accounts are explained below:

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. These have now been included in note 1 to the core financial statements.

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’ .

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the authority. The reserves are split into usable (those that can be used to fund expenditure or reduce taxation) and unusable reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cashflows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the receipants of services provided by the authority.Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

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 a true and fair view of the financial position of the Authority.

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 and the Berkshire Fire Authority. There is a statutory requirement to maintain a Collection Fund and keep its activities separate from those of other Council Transactions.

Comprehensive Income and Expenditure Account

Restated 01/04/2010 Net Expenditure £000's		note	2010/11 Expenditure £000's	2010/11 Income £000's	2010/11 Net Expenditure £000's
	Net Expenditure on Continuing Services				
48,844	Adult social care		56,421	(11,277)	45,144
14,682	Central Services		18,898	(10,439)	8,459
37,666	Cultural, Environmental, regulatory and Planning Services		40,805	(4,715)	36,091
42,502	Education and Children's Services		190,714	(135,308)	55,406
21,316	Highways and Transport Services		18,103	(2,407)	15,696
3,145	Housing Services		45,537	(37,258)	8,279
0	Non-Distributed costs	50	(27,801)	(2,228)	(30,029)
168,155	**Net Cost of Services**	4	342,677	(203,632)	**139,045**
(585)	(Gain) / loss on the disposal of non current assets				(153)
3,191	Precepts to Parishes	6			3,312
126	Levies Payable				126
	(Surpluses)/deficits onInvestment properties				(369)
(176)	(Surpluses)/deficits on trading undertakings	7			(435)
55	Contribution of Housing Capital receipts to government pool				0
2,611	**Other Operating Expenditure**				**2,481**
(292)	Interest Receivable				(351)
5,829	Pension Interest cost and Expected return on Pension Assets	17			6,594
1,519	Interest Payable and similar charges				2,412
7,056	**Financing and Investment Income and Expenditure**				**8,655**
177,822	**Net Operating Expenditure**				**150,181**
(79,017)	Income from Council Tax	8			(81,470)
(12,710)	Non Ring Fenced Government Grants	9			(14,722)
(23,418)	Contribution from Non-Domestic Rate Pool				(25,527)
(25,027)	Capital Grants and Contributions				(24,666)
(140,172)	**Taxation and Non Specific Grant Income**				**(146,385)**
37,650	**Surplus or Deficit on Provision of Services**				**3,796**
(22,882)	Surplus or deficit on revaluation of Fixed Assets				(8,319)
78,700	Actuarial (gains) / losses on pension assets / liabilities				(47,739)
55,818	**Other Comprehensive Income & Expenditure**				**(56,058)**
93,468	**Total Comprehensive Income & Expenditure**				**(52,262)**

Balance Sheet

Restated for IFRS 01/04/2009 £000's	Restated for IFRS 31/03/2010 £000's	-	- notes	- £000's	2010/11 £000's
		Property, plant and Equipment	**23**		
181,989	198,329	Buildings		194,962	
88,383	96,833	Land		92,690	
128,657	125,650	Other		129,722	
6,978	10,364	Investment properties		12,300	
10,874	8,553	Assets Under Construction		18,391	
416,881	**439,729**	**Total Property, Plant and Equipment**			**448,065**
727	552	Long Term Debtors	**24**	390	390
417,608	**440,281**	**TOTAL LONG TERM ASSETS**			**448,455**
		Current Assets			
2,000	8,000	Short term investments		0	
19	70	Inventories	**25**	63	
19,669	19,846	Short term debtors	**26**	16,970	
5,386	4,160	Cash and cash equivalents	**27**	1,880	
1,022	795	Assets held for sale	**28**	223	
28,096	**32,871**	**TOTAL CURRENT ASSETS**			19,136
445,704	**473,152**	**TOTAL ASSETS**			**467,591**
		Current Liabilities			
(4,125)	(16,036)	Short term borrowing	**29**	(8,625)	
(38,884)	(32,384)	Short term Creditors	**30**	(43,188)	
(43,009)	(48,420)	**TOTAL CURRENT LIABILITIES**			(51,813)
402,695	**424,732**	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**415,778**
		Long term Liabilities			
(141)	(130)	Provisions	**31**	(1,311)	
(2,275)	(2,098)	Contributions deferred account		(914)	
(79,361)	(163,662)	Pension liability	**17**	(96,074)	
(21,755)	(53,326)	Borrowings PWLB	**33**	(59,701)	
(743)	(564)	Other long term liabilities		(564)	
(104,275)	(219,780)				(158,564)
298,420	**204,952**	**TOTAL ASSETS LESS LIABILITIES**			**257,214**
6,841	7,117	General Fund	**39**	7,801	
2,256	1,213	Working Balances	**39**	777	
16,552	17,575	Earmarked Reserves	**39**	15,386	
39	26	Deferred Credit	**37**	19	
593	606	Usable Capital Receipt	**38**	20	
55,035	42,049	Capital Reserves		37,360	
217,104	136,366	Unusable reserves	**40**	195,851	
298,420	**204,952**	**TOTAL RESERVES**			**257,214**

Movement in Reserves Statement

	(a) General Fund Balance £000's	(b) Earmarked GF Reserves £000's	(e) Capital Receipts Reserve £000's	Deferred Credit £000's	Working Balances £000's	Capital Reserves £000's	(f) Total Usable Reserves £000's	(g) Unusable Reserves £000's	(h) Total Authority Reserves £000's
Note Reference Number									
Balance as at 31 March 2009	6,841	16,552	593	39	2,256	55,035	81,316	217,104	298,420
Surplus or (deficit) on provision of services	(37,650)	0	0	0	0	0	(37,650)	0	(37,650)
Other Comprehensive Expenditure and Income	(55,818)	0	0	0	0	0	(55,818)	0	(55,818)
Total Comprehensive Expenditure and Income	(93,468)	0	0	0	0	0	(93,468)	0	(93,468)
Adjustments between accounting basis & funding basis under regulations	78,777	0	0	0	0	0	78,777	(78,777)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(14,691)	0	0	0	0	0	(14,691)	(78,777)	(93,468)
Transfers (to) / from Earmarked Reserves	14,967	1,023	13	(13)	(1,043)	(12,986)	1,961	(1,961)	0
(Increase) / Decrease in Year	276	1,023	13	(13)	(1,043)	(12,986)	(12,730)	(80,738)	(93,468)
Balance as at 31 March 2010	**7,117**	**17,575**	**606**	**26**	**1,213**	**42,049**	**68,586**	**136,366**	**204,952**

Balance as at 31 March 2010	**7,117**	**17,575**	**606**	**26**	**1,213**	**42,049**	**68,586**	**136,366**	**204,952**
Surplus or (deficit) on provision of services	(3,796)	0	0	0	0	0	(3,796)	0	(3,796)
Other Comprehensive Expenditure and Income	56,058	0	0	0	0	0	56,058	0	56,058
Total Comprehensive Expenditure and Income	52,262	0	0	0	0	0	52,262	0	52,262
Adjustment required due to statutory accounting policies	(40,608)	0	0	0	0	0	(40,608)	40,608	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	11,654	0	0	0	0	0	11,654	40,608	52,262
Transfers (to) / from Earmarked Reserves	(10,970)	(2,189)	(586)	(7)	(436)	(4,689)	(18,877)	18,877	0
(Increase) / Decrease in Year	684	(2,189)	(586)	(7)	(436)	(4,689)	(7,223)	59,485	52,262
Balance as at 31 March 2011	**7,801**	**15,386**	**20**	**19**	**777**	**37,360**	**61,363**	**195,851**	**257,214**

Cash Flow Statement

Restated 2009/10 £'000		notes	2010/11 £'000	2010/11 £'000
	Operating Activities			
96,643	Taxation		100,511	
228,246	grants		225,585	
107	Rents		663	
1,600	sale of goods and rendering of service		4,907	
310	interest received		351	
1,349	other receipts from operating acitvities		440	
328,255	**cash inflows generated from operating activities**			332,457
(124,164)	Cash paid to and on behalf of employees		(126,920)	
(34,220)	housing benefit paid out		(36,597)	
(16,073)	precepts paid		(16,501)	
(55)	Payments to the Capital Receipts Pool		0	
(115,226)	Cash paid to suppliers of goods and services		(112,367)	
(1,519)	Interest paid		(2,412)	
(23,266)	Other payments for operating activities		(25,080)	
(314,523)	**cash outflows from operating activities**			(319,877)
13,732	**Net cashflows from operating activities**	**45**		12,580
	Investing activities			
(58,527)	Purchase of property plant and equipment		(49,234)	
(77,300)	Purchase of short and long term investments		(59,200)	
(115,885)	Other payments for investing activities		(124,137)	
914	Proceeds from the sale of property, plant and equipment, investment properties and intangible assets		1,260	
83,300	Proceeds form the short and long term investments		67,200	
115,885	other receipts from investing activities		125,950	
(51,613)	**net cash flows from investing activities**			(38,161)
	Financing activities			
40,019	cash receipts of short and long term borrowing		29,250	
951	other receipts from financing activities		1,002	
(1,446)	repayments of short and long term borrowing		(1,686)	
(417)	other payments for financing activities		(705)	
39,107	**Net cashflows from financing activities**			27,861
1,226	**Net increase/decrease in cash and cash equivalents**			2,280
(5,386)	**Cash and cash equivalents at the beginning of the reporting period**			(4,160)
(4,160)	**Cash and cash equivalents at the end of the reporting period**	**46**		(1,880)

Notes to the Core Financial Statements

(1) Accounting Policies

All the financial policies used in compiling this statement of accounts comply with the code of practice and International Financial Reporting Standards.
The statement of accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based code has resulted in the restatement of various balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the statement of accounts for 2009/10. Note 10 shows a reconciliation of these amounts.

The purpose of the Statement of Accounting Policies is to explain the basis of measurement that has been used in the preparation of the financial statements. The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end 31st March 2011.

The Financial Statements for 2010/11 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) and where appropriate the International Accounting Standards (IAS). The Accounting convention adopted is principally historical cost modified by fair value for particular categories of assets and liabilities.

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

a) Employee Costs

The cost of salaries and wages has been included in the Accounts based on 12 months and 52 pay weeks.

In line with IAS 19 an accrual has been made for leave and flexible hours owing at year end. The accrual is based on a sample of leave owing and then averaged out to give a total for the whole authority. No adjustment has been made for other employee costs.

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

- The assets of the Berkshire pension 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 Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council 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 a reapplied in the Local Government Pension Scheme.

c) 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 inventory 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.

d) Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

e) Inventories

Inventories are shown in the Balance Sheet on a cost basis, which is compliant with IAS2, this recommends valuation at the lower of cost or net realisable value.

f) 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 the Corporate and Democratic Core have been separately identified and are not borne by the revenue services. This category is defined by the BVACOP and accounted for, within the Central Services heading of the net cost of services in the Income and Expenditure Account.

g) **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.

h) **Debtors and Bad Debts**

Provisions for bad debts have been established in respect of general debtors in accordance with the CIPFA code of practice. The level of the provision has been set to provide adequate cover based upon an aged debt profile as at 31st March 2011.

i) **Investment**

Investments are shown in the Balance Sheet at cost.

j) **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.

k) **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts to the General Fund. 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 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 these do not represent usable resources for the council. Both usable and unusable reserves are explained in the relevant notes below.

l) Non-Current Assets

Only assets with a value of £5,000 or more are counted as non-current assets.

Where a non-current asset yields economic benefit to the authority, all expenditure on, the acquisition, creation and enhancement of said asset is capitalised on an accruals basis. This excludes expenditure on routine repairs and maintenance of non-current assets, which is charged direct to service revenue accounts.

Non-current 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.

Non-current 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:

- Land and Buildings, shown at fair value
- Plant and Equipment, shown at fair value
- Infrastructure Assets, shown at depreciated historical cost
- Community Assets, shown at depreciated historical cost
- Investment Properties, shown at market value
- Assets under construction shown at historical cost
- Assets held for sale at fair value

Assets included in the Balance Sheet at fair value are revalued as a minimum every five years, except for Investment properties which are revalued annually. 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 non-current 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.

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 General Fund Balance in the Movement in Reserves Statement.

Where an item of property plant or equipment is made up of components that have different asset lives, IAS 16 allows the components to be recognised as separate assets. West Berkshire Council will componentise assets where components are either 10% of the assets value or has a value of more than £250,000.These assets should be recognised either at the time of purchase or on revaluation.

m) Investment Property

Only properties that the authority holds solely to earn rental income or capital appreciation are classed as investment properties. These properties are not used by the council in its daily business. Initially investment properties are valued at cost and are then revalued annually.

n) Depreciation

In accordance with International Accounting Standard 16 depreciation is provided for on all fixed assets with a finite useful life.

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.
- IT assets are depreciated over 5 years.
- Infrastructure – straight line allocation, between 10 and 40 years.

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

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

o) Revenue Expenditure Funded from Capital Under Statute

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

p) Charges to Revenue for non current assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding 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 General Fund Balance, by way of an adjusting transaction with the capital adjustment account.

q) Capital Financing

The Prudential Code 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.
Whereever possible the Council aims to fund any necessary capital investment from external sources of funding i.e. grants, developers' contributions and capital receipts. The level of investment required over and above the level of external funding available must then be weighed up against the revenue cost of repaying loans to fund capital expenditure from external sources
In establishing its Prudential Framework the Council has determined that it can support an annual Capital programme of approximately £15 million.
Every year, a borrowing limits and annual investment strategy is produced, which is approved by Full Council.

r) <u>Financial Liabilities</u>

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 this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

However the stock issued by the Council in 2010/11 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 General Fund Balance.

s) <u>Financial Assets</u>

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 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 Capital Adjustment Account and the gain/loss is recognised in the Surplus or Deficit on the Provision of Services. 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 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.

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.

t) 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.

u) 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.

v) 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.

The level of Investment required to fund the capital programme currently over and above the level of external funding available is borrowed from the Public Works Loans Board.

w) 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.

x) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, both capital and revenue, 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 must also be reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is moved to the relevant service revenue account.
Where capital grants have been credited to the comprehensive Income and Expenditure Statement they are reversed out of the General Fund through the Movement in Reserves Statement.

y) 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.

z) 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.

aa) 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.

bb) 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.

cc) 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.

dd) 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 General Fund 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 these 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.

ee) Landfill allowance

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed

to landfill. From 1 April 2005 central government introduced a trading scheme, which allocates tradable landfill allowances.
These allowances are recognised as current assets in the Council’s Balance Sheet at market value. As waste is sent to landfill a liability is incurred to hold allowances equal to the landfill usage that is recognised as a current liability in the Council’s Balance Sheet. Unused allowances at the end of the year are shown on the Balance Sheet, as an earmarked reserve, at a weighted average value.

ff) Redundancy Policy

It is West Berkshire Council’s policy to minimise the impact of organisational change on its employees and to redeploy employees whenever possible. Therefore redundancies and redundancy payments only occur when absolutely necessary and in full agreement with Trade unions.
When redundancy payments are applicable it will be as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy. These payments are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

West Berkshire’s policy is not to offer enhanced pension payments on termination of employment.

(2) Accounting Standards that have been issued but have not yet been adopted

FRS 30 requires recognition of Heritage Assets as a separate class of plant, property and equipment assets by 2011/12. West Berkshire Council currently does not recognise any Heritage Assets within its plant, property and equipment assets. It is anticipated that this will be immaterial for our 2011/12 statements.

(3) Critical judgements

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- That the uncertainty concerning the future levels of local Government funding does not provide an indication that there will be material removal or impairments of assets that will impact on the 2010-11 financial statements. Increases to the number of schools in West Berkshire seeking Academy status will reduce the assets held by the Council within its financial statements.
- The accounting policies for the integrated waste PFI scheme have been set out in note 1. From 2011/12 it is likely that the accounting for this scheme will change as the major capital scheme is completed.

- The Council has incurred a number of redundancy costs in respect of the 2010-11 financial year to deliver a balanced 2011-12 budget. The provision for liabilities figure reflects a large number of redundancies made in respect of the 2010-11 financial year that have not been finalised as at 31.3.2011.

(4) <u>Net Cost of Services</u>

The net cost of services includes depreciation charges for the use of Property, plant and Equipment (PPE), impairment costs associated with PPE, Government Grants deferred, IAS 19 pension costs and movements in Reserves. These are subsequently reversed, so that the net effect on the amount to be met from Government Grants and local taxation is zero.

This year Non Distributed Costs show a negative amount for expenditure this is mainly due to a change on the past service cost of pensions due to the change from Retail Price Index to Consumer Price Index.

(5) Adjustments between Accounting Basis and Funding Basis under Regulation

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

2009/10	General Fund Balance £000's	Capital Receipts Reserve £000's	Total Usable Reserves £000's	Movement in Unusable Reserves £000's	Total Authority Reserves £000's
Adjustments in respect of usable and unusable reserves					
Charges for depreciation and impairment of long term assets	28,729	0	28,729	(28,729)	0
Revaluation surpluses / losses on Property Plant and Equipment	(22,882)	0	(22,882)	22,882	0
Capital grants and contributions	(12,986)		(12,986)	12,986	0
Government Grants deferred account	1,786	0	1,786	(1,786)	0
Revenue expenditure funded from capital under statute	(28,940)	0	(28,940)	28,940	0
Revenue expenditure from capital under statute	31,667		31,667	(31,667)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(585)	914	329	(329)	0
Repayment of PWLB debt	(1,477)	0	(1,477)	1,477	0
					0
Statutory provision for the financing of capital investment	(405)	0	(405)	405	0
Direct revenue financing of capital expenditure	(61)	0	(61)	61	0
					0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(859)	(859)	859	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	55	(55)	0	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 17)	78,700	0	78,700	(78,700)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	5,601	0	5,601	(5,601)	0
Unusable account in respect of accumulated compensated absences	(425)	0	(425)	425	0
Total Adjustments between accounting basis and funding basis under regulations	78,777	0	78,777	(78,777)	0

2010/11	General Fund Balance £000's	Capital Receipts Reserve £000's	Total Usable Reserves £000's	Movement in Unusable Reserves £000's	Total Authority Reserves £000's
Adjustments in respect of usable and unusable reserves					
Charges for depreciation and impairment of long term assets	27,665	0	27,665	(27,665)	0
Revaluation surpluses / losses on Property Plant and Equipment	(8,319)	0	(8,319)	8,319	0
Investment property revaluations	(1,715)	0	(1,715)	1,715	0
Capital grants and contributions	(4,690)	0	(4,690)	4,690	0
Government Grants deferred account			0		0
Revenue expenditure funded from capital under statute	(4,689)	0	(4,689)	4,689	0
Revenue expenditure from capital under statute	22,932	0	22,932	(22,932)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(153)	593	440	(440)	0
Repayment of PWLB debt	(1,686)	0	(1,686)	1,686	0
Other Accounting adjustments	276	0	276	(276)	0
					0
Statutory provision for the financing of capital investment	(2,238)	0	(2,238)	2,238	0
Direct revenue financing of capital expenditure	(97)	0	(97)	97	0
					0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(593)	(593)	593	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 17)	(47,739)	0	(47,739)	47,739	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,849)	0	(19,849)	19,849	0
Unusable account in respect of accumulated compensated absences	(306)	0	(306)	306	0
Total Adjustments between accounting basis and funding basis under regulations	(40,608)	0	(40,608)	40,608	0

The negative pension figure of £19,849 is a result of Central Government announcing that pension schemes will be updated in line with consumer prices index rather than the retail prices index. (see note 50).

(6) Parish Council Precepts

Parish councils are required to precept on the Council, which in turn precepts on the collection fund. The total precept is £3,302k.
There was also a special expenses precept on the parishes concerning closed church yards of £10k.

(7) 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

2009/10 (Surplus) deficit £000's	Trading Operations	2010/11 Expenditure £000's	2010/11 Income £000's	2010/11 (Surplus) deficit £000's
(31)	External Trading Accounts	499	(484)	15
(145)	Internal Trading Accounts	4,209	(4,659)	(450)
(176)	**Net deficit**	**4,708**	**(5,143)**	**(435)**

(8) Income from Council Tax

The income from Council Tax shown on the Comprehensive Income and Expenditure Account is the amount that West Berkshire received net of major preceptors. Any amounts owing to or from major preceptors is shown in the debtors or creditors.

(9) Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are shown as capital grants receipts in advance.

Grant Income	2009/10 £000	2010/11 £000
Credited to taxation and non specific grant income		
Revenue Support Grant	5,405	3,707
Area Based Grant	7,305	11,015
Section 106 Grants	2,884	5,403
Capital Grants	22,181	30,108
Total	37,775	50,233
Credited to services		
Dedicated Schools Grant	96	100
Standards Fund Grant	13	15
Housing Benefit Grant	34	37
Learning and skills Council	14	14
Other Specific Government Grants	24	18
Total	181	184
Capital Grants Receipts in Advance		
Primary Capital Programme	3,000	5,378
DFES Youth Capital Fund	76	44
Contribution from St Barts Foundation	0	4,754
Total	3,076	10,176

(10) Special Expenses

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 Footway Lighting £000's**	**Kintbury St Mary's Churchyard £000's**	**Shaw St Mary's Churchyard £000's**	**Theale Holy Trinity Churchyard £000's**
Gross Expenditure	4.1	7.8	3.7	1.1
Gross Income	0.0	0.0	0.0	0.0
Net Expenditure	4.1	7.8	3.7	1.1
Council Tax Income	(4.3)	(4.3)	(0.9)	(1.1)
Appropriation to balances	(0.2)	3.5	2.8	0.0
Balance from 2010/11	(3.8)	(5.0)	(0.3)	(0.3)
Balance carried forward to 2011/12	(4.0)	(1.5)	2.5	(0.3)

(11) Reconciliation from UK GAAP to IFRS

The following tables show the adjustments made from those shown in the 2009-10 Statement of Accounts and those given as a comparator this year. The adjustments were due to implementing IFRS, it should be noted though that the changes in policy have not affected Council tax payers.

	GAAP figure £000s	court & probation services £000s	Corporate & Democratic core £000s	Staff benefit accrual £000s	education services £000s	Grants £000s	Fixed Assets	IFRS Figure £000s
Adult social care	39,872	0	0	0	0	6,946	130	46,948
Central Services to the Public	7,572	102	4,614	142	0	3,256	1,614	17,300
Children's services	14,894	0	0	283	18,912	10,433	715	45,237
Corporate & Democratic Core	4,614	0	(4,614)	0	0	0		0
Court & Probation services	102	(102)	0	0	0	0		0
Cultural, Environmental and Planning Services	29,920	0	0	0	0	6,442	-159	36,203
Education Services	18,912	0	0	0	(18,912)	0		0
Highways, Roads and Transport Services	16,488	0	0	0	0	3,060	-59	19,489
Housing Services	2,478	0	0	0	0	532	-32	2,978
NET COST OF SERVICES	**134,852**	**0**	**0**	**425**	**0**	**30,669**	**2,209**	**168,155**
(Gain) / loss on the disposal of fixed assets	(585)	0	0	0	0	0	0	(585)
Precepts to Parishes	3,191	0	0	0	0	0	0	3,191
Precepts & Levies	126	0	0	0	0	0	0	126
(Surpluses)/deficits on trading undertakings	(176)	0	0	0	0	0	0	(176)
Contribution of Housing Capital receipts to government pool	55	0	0	0	0	0	0	55
Interest Receivable	(292)	0	0	0	0	0	0	(292)
Pension Interest cost and Expected return on Pension Assets	5,829	0	0	0	0	0	0	5,829
Interest Payable and similar charges	1,519	0	0	0	0	0	0	1,519
	144,519	**0**	**0**	**425**	**0**	**30,669**	**2,209**	**177,822**
SOURCES OF FINANCE								0
Income from Council Tax	(79,017)	0	0	0	0	0	0	(79,017)
General Government Grants	(12,710)	0	0	0	0	0	0	(12,710)
Contribution from Non-Domestic Rate Pool	(23,418)	0	0	0	0	0	0	(23,418)
Capital grants and contributions	0	0	0	0	0	(25,027)	0	(25,027)
	(115,145)	0	0	0	0	(25,027)	0	(140,172)
DEFICIT/(SURPLUS) FOR THE YEAR	**29,374**	**0**	**0**	**425**	**0**	**5,642**	**2,209**	**37,650**

The net cost of services increased due to the staff accrual, changes in capital grants and grants deferred and changes in the reclassification of property, plant and equipment. Children's services have been merged with education and also court and probation, corporate and democratic core and central services have all been merged. In sources of finance due to the implementation of IFRS capital grants have been included in this heading.

Balance Sheet

	GAAP Figure £000s	Imprest £000s	Cash & Bank £000s	short term investments £000s	staff benefit accrual £000s	Capital adjustments £000s	Fixed Assets	IFRS figure £000s
- Other land and Buildings	291,109	0	0	0	0	0	(291,109)	0
Buildings	0	0	0	0	0	0	198,329	198,329
Land	0	0	0	0	0	0	96,833	96,833
Other	0	0	0	0	0	0	125,650	125,650
- Vehicles, Plant, Furniture and Equipment	14,617	0	0	0	0	0	(14,617)	0
- Infrastructure Assets	109,345	0	0	0	0	0	(109,345)	0
- Community Assets	6,401	0	0	0	0	0	(6,401)	0
-Investment properties	10,431	0	0	0	0	0	(67)	10,364
-Assets Held for Sale	795	0	0	0	0	0	(795)	0
-Assets under construction	8,553	0	0	0	0	0	0	8,553
Fixed Assets net book value	**441,251**	**0**	**0**	**0**	**0**	**0**	**(1,522)**	**439,729**
Long Term Debtors	552	0	0	0	0	0		552
TOTAL LONG TERM ASSETS	**441,803**	**0**	**0**	**0**	**0**	**0**	**(1,522)**	**440,281**
Current Assets								
Inventoires	70	0	0	0	0	0	0	70
Debtors	19,846	0	0	0	0	0	0	19,846
Imprests	1,230	(1,230)	0	0	0	0	0	0
Cash and Cash Equivalents	0	1,230	(3,949)	6,879	0	0	0	4,160
Investments	14,879	0	0	(6,879)	0	0	0	8,000
Assets held for sale	0	0	0	0	0	0	795	795
Cash and Bank	0	0	0	0	0	0	0	0
	36,025	**0**	**(3,949)**	**0**	**0**	**0**	**795**	**32,871**
Current Liabilities								
Creditors and receipts in advance	(54,323)	0	0	0	(4,401)	26,340	0	(32,384)
Short term borrowing	(16,036)	0	0	0	0	0	0	(16,036)
Cash and Bank overdrawn	(3,949)	0	3,949	0	0	0	0	0
	(74,308)	0	3,949	0	(4,401)	26,340	0	(48,420)
TOTAL ASSETS LESS CURRENT LIABILITIES								
Deferred Liabilities	(564)	0	0	0	0	0	0	(564)
Long Term Liabilities	(53,326)	0	0	0	0	0	0	(53,326)
Pension Liability	(163,662)	0	0	0	0	0	0	(163,662)
Government Grants Deferred	(45,752)	0	0	0	0	45,752	0	0
Contributions Deferred Account	(17,807)	0	0	0	0	15,709	0	(2,098)
Provisions	(130)	0	0	0	0	0	0	(130)
	(281,241)	0	0	0	0	61,461	0	(219,780)
TOTAL ASSETS LESS LIABILITIES	**122,279**	**0**	**0**	**0**	**(4,401)**	**87,801**	**(727)**	**204,952**
Deferred Credits	26	0	0	0	0	(1)	0	25
Usable Capital Receipts	606	0	0	0	0	42,049	0	42,655
Working Balances	1,213	0	0	0	0	0	0	1,213
Earmarked Reserves	19,561	0	0	0	0	(1,986)	0	17,575
General fund	7,116	0	0	0	0	1	0	7,117

Revaluation Reserve	41,837	0	0	0	0	(41,837)	0	0
Capital Adjustment Account	216,263	0	0	0	0	(216,263)	0	0
Pension Reserve	(163,662)	0	0	0	0	163,662	0	0
Collection Fund adjustment Account	(681)	0	0	0	0	681	0	0
Unusable Reserves	0	0	0	0	(4,401)	139,560	1,208	136,367
TOTAL EQUITY	**122,279**	**0**	**0**	**0**	**(4,401)**	**85,866**	**1,208**	**204,952**

(12) Prior Year Adjustment

Other then the adjustments required to become IFRS compliant there were no prior period adjustments.

(13) Publicity

Set out below, under the requirements of section 5(I) of the Local Government Act 1986, is the Council's and school 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.

Publicity	**2009/10 £000's**	**2010/11 £000's**
Marketing and Public Relations	436	364
Recruitment Advertising	440	295
Total Expenditure	**876**	**659**

The amount given for publicity expenditure includes both West Berkshire Council and Schools amounts. The respective splits are detailed below:

Percentage splits 2010/11	West Berkshire Council %	Schools %
Marketing and Public Relations	84.3	15.7
Recruitment and Advertising	22.4	77.6
Total	56.6	43.4

The expenditure on Recruitment advertising has reduced due to a change of policy within the Council, the Council web site is being used effectively and published adverts are being procured more efficently.

(14) Pooled Accounts

Memorandum Account

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 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 £ 000's	Gross Income £ 000's	WBC contribution £ 000's
Financial year 2009/10	2,808	(2,808)	244
Financial year 2010/11	2,808	(2,808)	258

(15) Disclosure of Remuneration

New legislation has been introduced for the disclosure of Officers remuneration. This amends the previous regulations that Local Government followed, as well as introducing a new requirement to list by way of job title, members of the senior board who are earning a salary of less than £150K and list by name those persons earning a salary of above £150k.

Detailed below are the numbers of employees whose remuneration including redundancy costs but excluding pension contributions was £50,000 or more in bands of £5,000:

<u>Disclosure of Remuneration</u>	**2010/11**	**2009/10**	
Remuneration Band	**Number of Staff**	**Number of Staff**	**Left During Year**
£50,000 - £54,999	73	74	3
£55,000 - £59,999	41	49	1
£60,000 - £64,999	28	25	2
£65,000 - £69,999	22	13	2
£70,000 - £74,999	9	5	1
£75,000 - £79,999	5	6	1
£80,000 - £84,999	8	9	1
£85,000 - £89,999	4	2	0
£90,000 - £94,999	3	0	2
£95,000 - £99,999	3	2	0
£100,000 - £104,999	3	0	2
£105,000 - £109,999	3	1	2
£110,000 - £114,999	2	0	2
£115,000 - £119,999	1	0	1
£120,000 - £124,999	0	1	0
£125,000 - £129,999	1	0	1
£130,000 - £134,999	0	0	0
£135,000 - £139,999	1	0	0
£140,000 - £144,999	1	0	1
£145,000 - £149,999	0	0	0
£150,000 - £154,999	0	1	0
£155,000 - £159,999	1	0	0
£160,000 - £164,999	0	1	0
Total	209	189	22

	2009/10	**2010/11**
	£	**£**
Expenses paid to the elected Members	573,295	568,330

Disclosure of Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band	Schools 2010/11 Number of employees	Schools 2010/11 Left during year	Council Staff 2010/11 Number of employees	Council Staff 2010/11 Left during year
£50,000 - £54,999	45	2	28	1
£55,000 - £59,999	15	0	26	1
£60,000 - £64,999	19	2	9	0
£65,000 - £69,999	13	1	9	1
£70,000 - £74,999	4	1	5	0
£75,000 - £79,999	2	0	3	1
£80,000 - £84,999	1	0	7	1
£85,000 - £89,999	2	0	2	0
£90,000 - £94,999	1	0	2	2
£95,000 - £99,999	1	0	2	0
£100,000 - £104,999	1	1	2	1
£105,000 - £109,999	0	0	3	2
£110,000 - £114,999	0	0	2	2
£115,000 - £119,999	0	0	1	1
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	1	1
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	0	0	1	0
£140,000 - £144,999	0	0	1	1
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	0	0
£155,000 - £159,999	1	0	0	0
£160,000 - £164,999	0	0	0	0
	105	7	104	15

The Following posts have been included in the table above detailing officer's remuneration in bands of £5,000.

The tables below disclose the salary information of those individuals who are on the Council's Corporate Board, as well as those individuals whose salary is over £150,000. This table splits remuneration between West Berkshire Council's Schools employees and West Berkshire Council's employees.

In respect of the financial year 2009-10

Post holder information	Salary (Including fees & allowances)	Benefits in Kind	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
Chief Executive	138,418	0	138,418	20,013	158,431
Corporate Director - Children and Young People	105,177	0	105,177	15,177	120,354
Corporate Director - Environment	101,177	3,621	104,798	15,177	119,975
Corporate Director - Community Services	93,353	0	93,353	13,403	106,756
Head of Legal & Electoral Services	80,819	0	80,819	11,598	92,417
Head of Finance	77,319	2,450	79,769	11,598	91,367
	596,263	**6,071**	**602,334**	**86,966**	**689,300**

In respect of the financial year 2010-11

Post holder information	Salary (Including fees & allowances)	Benefits in Kind	Total Remuneration excluding pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
Chief Executive	138,418	0	138,418	20,279	158,697
Corporate Director - Children and Young People	105,177	0	105,177	15,379	120,556
Corporate Director - Environment	101,177	3,801	104,978	15,379	120,357
Corporate Director - Community Services	98,080	0	98,080	14,300	112,380
Head of Legal & Electoral Services	80,819	0	80,819	11,752	92,571
Head of Finance	77,319	2,535	79,854	11,752	91,606
	600,990	**6,336**	**607,326**	**88,841**	**696,167**

Post holder information	Salary (Including fees & allowances)	Benefits in Kind	Total Remuneration excluding pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11	Total Remuneration including pension contributions 2009/10
	£	£	£	£	£	£
Executive Headteacher - P Dick	158,306	224	158,530	22,321	180,851	175,364

(16) Termination Benefits

The authority terminated the contracts of a number of employees in 2010/11, incurring expected liabilities of £3.5m; this sum includes 950k of provisions. This includes payments to 100 officers, 83.32 full time equivalents for restructuring to set the 2011/12 budget. These officers were from all areas in the Council and were made redundant as part of the Authority's restructuring of its services.

(17) Retirement Benefits

Under International Accounting Standards (IAS) 19 Employee 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 2011.

IAS 19 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 General Fund via the Movement in Reserves Statement. The following Transactions have been made to the Income and Expenditure Account, in the net cost of services and the financing and investment income and expenditure lines.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing West Berkshire Council authority's liabilities in the financial year 2010/11 Pension Fund by £30,840k and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund."

Local Government Pension Scheme	**2009/10 £000's**	**2010/11 £000's**
Comprehensive Income and Expenditure account		
Current Service Cost	7,490	12,960
Past Service Cost / curtailment	237	(30,840)
Financing and investment income and expenditure	7,727	(17,880)
Interest Cost	13,706	17,187
Expected return on assets in the scheme	(7,874)	(10,593)
Total post employment benefit charged to the surplus or deficit on the provisions of services	5,832	6,594
Net Charge to the Comprehensive Income and Expenditure Account	13,559	(11,286)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(13,559)	11,286
Actual amount charged against the General fund balance for pensions in the year	7,958	8,563

In addition to the recognised gains and losses above, actuarial gains of £47,740k are included in the other Comprehensive Income and Expenditure line in the Income and Expenditure Account. (This is a change due to IFRS last year Actuarial Losses of £78,699k for 09/10 were included in the Statement of Total Recognised Gains and Losses).

Assets and Liabilities in relation to retirement benefits

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	2009/10 £000's	2010/11 £000's
Opening balance 1st April	203,324	331,922
Current service cost	7,490	12,960
Interest cost	13,706	17,187
Contributions by scheme participants	3,414	3,464
Actuarial (gains) and losses	112,134	(51,426)
Benefits paid	(8,040)	(8,783)
Past service costs	237	(30,840)
Unfunded pension payments	(344)	(567)
Closing balance 31st March	331,921	273,917

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	2009/10 £000's	2010/11 £000's
Opening balance 1st April	123,964	168,260
Expected rate of return	7,874	10,593
Actuarial gains and losses	33,435	(3,686)
Employer contributions including unfunded	7,958	8,563
Contributions by scheme participants	3,414	3,464
Benefits paid	(8,384)	(9,350)
Closing balance 31st March	168,260	177,844

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 £12,266k (for 2009/10 (£41,307k)).

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 2011 are as follows,

Local Government Pension Scheme	Restated 2006/07 £000's	Restated 2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's
Present value of Liabilities:	(218,351)	(214,886)	(203,325)	(331,922)	(273,917)
Fair value of Assets	181,105	172,656	123,964	168,260	177,843
Surplus / (deficit) in the scheme	(37,247)	(42,229)	(79,361)	(163,662)	(96,074)
Experience adjustments on Scheme liabilities	0	(9,296)	0	(4,828)	9,690
Experience adjustments on scheme assets	154	(24,837)	(64,780)	33,435	(3,686)

For consistency the assets have been shown at bid price (estimated where necessary) for the periods prior to 31st March 2010.

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	**2009/10**	**2010/11**
Equity Investments	7.9%	7.8%
Bonds	5.5%	5.5%
Gilts	4.5%	4.4%
Property	6.0%	5.9%
Cash	3.0%	3.0%
Alternative assets	5.0%	5.0%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.3	22.7
Women	24.3	25.4
Longevity at 65 for future pensioners:		
Men	22.2	24.8
Women	25.3	27.4
Rate of Inflation	3.9%	3.5%
CPI increase	n/a	2.7%
Rate of increase in Salaries	5.4%	4.8%
Rate of increase in Pensions	3.9%	2.7%
Rate of discounting scheme liabilities	5.5%	5.5%
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 2011 can be summarised as:

	31 March 2010	**31 March 2010**	**31 March 2011**	**31 March 2011**
	£000's	%	£000's	%
Equities	66,285	44%	50,052	31%
Gilts	0	0%	0	0%
Other Bonds	43,688	29%	43,594	27%
Property	10,545	7%	12,917	8%
Cash	3,013	2%	8,073	5%
Alternative assets	27,117	18%	46,823	29%
Total	150,648	100%	161,459	100%

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 2006/07 %**	**Restated 2007/08 %**	**2008/09 %**	**2009/10 %**	**2010/11 %**
Differences between the expected and actual return on assets	0.10	(6.24)	(75.86)	80.94	13.64
Experience gains and losses on liabilities	0.20	(4.30)	0.00	(1.10)	5.50

(18) Superannuation Costs

In 2010/11 the Council paid an employer's contribution of £7.81m. 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 2010/11 these amounted to £0.446m.

Teachers Pension Scheme

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

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

In 2010/11, the council paid £7.698 to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.8% of pensionable pay. The figures for 2009/10 were £7.508m and 14.1%. There were no contributions remaining payable at the year-end.

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

(19) 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 over £100k with related parties during the financial year.

Related Party Transactions	2010/11 £000's
Corn Exchange Theatre Trust	510
Greenham Common Trust	164
Newbury Town Council	148
West Berkshire Mencap	613
Vodafone Ltd	282
Reading Borough Council	276
Sovereign	1,021
	3,014

Council members have a declared an interest in the following organisations,
The Corn Exchange Trust,
The Greenham Common community Trust,
The Sovereign Housing associaition,
The Thames Valley Police Authority,
Vodafone LtD,
West Berkshire Mencap,
Royal Berkshire Fire and Rescue Authority,
Reading Borough council,
Newbury Town Council.

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 IAS 24 and its applicability to the public sector utilising current advice and guidance.

Central Government has effective control over the general operations of the Authoriity – it is responsible for providing the statutory framework with which the Autority operates, provides some of the funding and prescribes the terms of many transactions that the Authority has other parties (eg Council Tax bills, housing benefits).

Analysis of Government Grants	**2009/10 £000's**	**2010/11 £000's**
Dedicated Schools Grant	96	100
Standards Fund Grant	13	15
Housing Benefits Grant	34	37
Learning and Skills Council	14	14
Other Specific Government Grants	24	18
Total	181	184

(20) Auditors Fees

In 2010/11 the following fees were incurred by West Berkshire Council and relate to external audit.

Auditors Fee	**2009/10 £000's**	**2010/11 £000's**
Fees payable to KPMG with regard to external audit services	241	232
Fess payable to Audit Commission with regard to external services	20	(24)
Fees payable to KPMG with regard to grants audit	35	35
	296	243

(21) 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 is estimated at approximately £520 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. This facility will be treated as an asset on the council's Balance Sheet, but it is not due to be completed until 2012, so the asset will not be recognised in our statements until 2011/12 and capital payments will not commence until the financial year 2012/13. All payments made to Veolia in 2010/11 therefore related to the provision of waste collection and disposal services.

The cash value of future payments due under the PFI contract are estimated as follows:

	Apr 2011-Mar 2012	Apr 2012-Mar 2016	Apr 2016-Mar 2021	Apr 2021-Mar 2026	Apr 2026-Mar 2031	Apr 2031-Oct 2033
	£000's	£000's	£000's	£000's	£000's	£000's
Repayment of Liability	0	2,161	4,628	6,311	8,606	4,263
Interest	0	4,854	7,063	5,380	3,085	413
Service Charges	17,846	69,840	93,259	104,191	116,252	50,155
Total	**17,846**	**76,855**	**104,950**	**115,882**	**127,943**	**54,831**

The accounting treatment of the contract under IAS 16 has been assessed by the Council and independently verified by Ernst and Young LLP. Payments made under the contract for 10/11 have been included in the net cost of services, because the capital element has not been built yet. Once it is the Council will account for these costs on the Balance Sheet per CIPFA code.

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.

(22) Building Control Account

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

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

Building Control Account Building Regulations Charging Account	Chargeable Activities 2010/11 £000's	Non Chargeable Activities 2010/11 £000's	Total Building Control 2010/11 £000's
Expenditure			
Employees	523	150	674
Supplies & Services	29	2	31
Central and Support Charges	81	31	112
Total Expenditure	*633*	*183*	*817*
Income			
Building Regulation Charges	585	0	585
Total Income	*585*	*0*	*585*
Surplus / (Deficit) for year	*(48)*	*(183)*	*(232)*

(23) Capital Expenditure and Capital Financing

Property, Plant and Equipment

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE)is accounted for on an accruals basis and capitalised in the Balance Sheet. All PPE are included in the Balance Sheet at their fair value except for investment property (held solely to generate rental income or capital appreciation) which is held at market value, infrastructure assets and community assets, are included at depreciated historical cost. Investment properties are revalued annually whilst all other assets are included at current value and revalued at intervals of not more than five years.

A proportion of these properties have been revalued as at 1st April 2010 by Amanda Dennis Member of the Royal Institution of Chartered Surveyors, (the Asset Development Officer), in accordance with the Code of Practice 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 £49,233,719.

Capital Expenditure Financing - - Source	General Fund 2009/10 £000's	General Fund 2010/11 £000's
Opening Capital Financing Requirement	79,198	101,628
Capital Investment		
Property, Plant and Equipment	29,205	16,665
Investment Properties	35	327
Assets under construction	(2,321)	9,838
Revenue Expenditure Funded from capital under statute	31608	22,404
Sources of Finance		
Capital receipts	(859)	(1,854)
Government Grants	(31,805)	(24,795)
Other Grants	(25)	0
Revenue funding	(154)	(97)
Other internal balances and funds	(300)	(697)
Developers/other contributions	(2,954)	(2,051)
Closing Capital Financing Requirement	**101,628**	**121,368**
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	22,430	19,740
Increase in underlying need to borrowing (unsupported by government financial assistance)	0	0
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	0	0
Increase/ (decrease) in capital financing requirement	**22,430**	**19,740**

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

Main Items of Capital Expenditure **Project Title**	**£000's**
Children's Services Projects	
Adventure Dolphin Centre Replacement	679
New and Improved Children's Pay Areas (Playbuilder)	444
Education Projects	
The Castle School - new post 16 facility	2,080
Chieveley Primary School - Improvements	1,813
Brookfields Special School - Improvements	1,672
Trinity School - new sports facilities	1,140
The Porch - New Pupil Referral Unit	854
Instalment/Upgrade of Broadband in schools (NGFL)	747
Improvements to Childcare facilities	619
The Winchcombe School Remodelling	430
Theale Green School Improvements	367
Council Contributions to capital schemes managed by schools (Seed Challenge)	300
Burghfield & East - New Children's Centre	261
South Thatcham - New Children's Centre	233
Highways and Transport Improvements	
Highway Reconditioning	1,653
Carriageway Patching	853
A4 Bath Rd, Bostock Ln to Arlington Rdbt	765
Improvements to Thatcham Town Centre (Thatcham Vision)	534
Flood Prevention Projects	468
Padworth Rd Extended Maintenance	292
Oxford Street	244
A340 The Street	239
Bull Crossroads Streatley	209

Capital Assets

During the year a proportion of the Assets were revalued in line with the five year rolling programme. The main adjustments are that a number of DIYSO properties were sold and three office buildings were acquired, one east of the District and two in Newbury.

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-10 Nos	31-Mar-11 Nos
Public Conveniences	9	9
Car Parks	22	22
Industrial Units	2	2
Farms	3	3
Civic Amenity Sites	3	3
Leisure Centres	8	8
Community Services	12	13
Libraries	9	9
Schools and associated properties	59	57
Commercial Premises	9	8
Public Open Spaces	313	228
Offices	10	10
Community Centres	21	22
Highways Depots	3	3
Housing operational properties	47	47
Total	530	444

The Council has budgeted to spend the following amounts in 2011/12 and future years on major schemes which had already stated prior to the end of March 2011.

Capital Commitments on Existing Schemes	
Project Title	**£000's**
Brookfields School improvements	140
Speenhamland Phase 2 improvements	375
Trinity School - new sports facilities	400
St Bartholemew's School rebuild	627
Secondary Schools Development and Basic Need (pre-construction phase)	1,650
Theale Green School Improvements	1,677
Denefield School improvements	5,400
The Winchcombe School Remodelling	5,662
	15,931

(24) Analysis of Movement in Property, Plant and Equipment

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

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

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

Assets held for sale are those assets the Authority is actively trying to sell.

Assets under construction total £18,391m and have been included in the asset register for the first time this year, once the schemes are complete they will be revalued and moved to the correct asset category.

Movement of Property, Plant and Equipment 2010/2011

	Other Land & Buildings £000's	Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Investment properties Assets £000's	Assets held for sale	TOTAL £000's
Valued at Current value							
Gross Book Value @ 01/04/10	328,060	25,022	147,981	1,127	10,364	800	513,354
Revaluations	5,236	0	0	0	1,715	0	6,951
Impairments re revaluations	(12,880)	0	0	0	0	0	(12,880)
Value @31/03/11	320,416	25,022	147,981	1,127	12,079	800	507,425
Reclassifications	(142)	0	0	0	(106)	248	0
Additions	5,448	1,866	8,875	476	327	0	16,992
Disposals	(623)	0	0	0	0	(800)	(1,423)
Gross Book Value @ 31/03/11	325,099	26,888	156,856	1,603	12,300	248	522,994
Depreciation @ 31/03/10	(32,898)	(11,663)	(36,602)	(215)	0	(5)	(81,383)
Depreciation charged to services	(12,819)	(2,840)	(4,283)	(22)	0	(6)	(19,970)
Depreciation on revalued assets	8,267	0	0	0	0	0	8,267
Reclassifications	19	0	0	0	0	(19)	0
Depreciation on disposal	(16)	0	0	0	0	5	(11)
Balance @ 31/03/11	(37,447)	(14,503)	(40,885)	(237)	0	(25)	(93,097)
Net Book Value @ 31/03/11	**287,652**	**12,385**	**115,971**	**1,366**	**12,300**	**223**	**429,897**
Revaluation reserve	**(44,190)**	**0**	**0**	**(11)**	**(4,208)**	**0**	**(48,409)**
Assets under Construction							
Opening Balance 31/03/10	8,007	0	532	0	14	0	8,553
Movement in year	9,779		73		(14)	0	9,838
Assets under construction	**17,786**	**0**	**605**	**0**	**0**	**0**	**18,391**

Comparative Movements in 2009/10

Movement of Property, Plant and Equipment 2009/2010

	Other Land & Buildings £000's	Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Investment properties Assets £000's	Assets held for sale	TOTAL £000's
Valued at Current value							
Gross Book Value @ 01/04/10	307,177	23,370	139,512	7,170	7,404	0	484,633
Merged Assets	557	(13)	0	(544)	0	0	0
Revaluations	6,941	0	0	4	4,207	0	11,152
Impairments re revaluations	(7,450)	0	0	(326)	(332)	0	(8,108)
Value @31/03/11	307,225	23,357	139,512	6,304	11,279	0	487,677
Reclassifications	3,624	(846)	2,701	(6,279)	0	800	0
Additions	19,204	3,131	5,768	1,102	35	0	29,240
Derecognition on disposal	0	(620)	0	0	(270)	0	(890)
Impairments on disposal	(1,965)	0	0	0	(448)	0	(2,413)
Disposals	(28)	0	0	0	(232)	0	(260)
Gross Book Value @ 31/03/11	328,060	25,022	147,981	1,127	10,364	800	513,354
Depreciation @ 31/03/10	(35,123)	(9,134)	(31,368)	(676)	(57)	0	(76,358)
Depreciation charged to services	(10,813)	(2,746)	(4,567)	(399)	(5)	0	(18,530)
Depreciation on revalued assets	11,686	0	0	8	36	0	11,730
Impairments on revalued assets	1,319	0	0	62	0	0	1,381
Reclassifications	27	0	(667)	645	0	(5)	0
Derecognition on disposal	0	217	0	145	26		388
Depreciation on disposal	6	0	0	0	0	0	6
Balance @ 31/03/11	(32,898)	(11,663)	(36,602)	(215)	0	(5)	(81,383)
Net Book Value @ 31/03/11	**295,162**	**13,359**	**111,379**	**912**	**10,364**	**795**	**431,971**
Revaluation reserve	**(37,479)**	**0**	**0**	**(18)**	**(4,340)**	**0**	**(41,837)**
Assets under Construction							
Opening Balance 31/03/09	10,608	0	266	0	0	0	10,874
Movement in year	(2,601)		266		14	0	(2,321)
Assets under construction	**8,007**	**0**	**532**	**0**	**14**	**0**	**8,553**

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 2010/11 was £775K (2009/10 £832k).

The Authority was committed at 31st March 2011 to making payments of £726K under operating leases in 2011/12, comprising the following elements.

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

Operating Leases	Other Land and Buildings £000's	Vehicles, Plant and Equipment £000's
Leases expiring in 2011/12	0	98
Leases expiring between 2012/13 & 2015/16	0	336
Leases expiring after 2015/16	65	228

Investment Properties

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

	2009/10 £000's	2010/11 £000's
Rental income from Investment Properties	(396)	(384)
Direct operating expenses arising from investment properties	246	15
Net (Gain)/loss	(150)	(369)

In 2009/10 there was a large impairment on one of the investment properties.

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

Investment Properties Restated	2009/10 £000's	2010/11 £000's
Balance at start of year	7,404	10,364
Additions		
Purchases	0	0
Construction	0	0
Subsequent Expenditure	478	327
Total additions	478	327
Disposals	(447)	0
Other changes		
Net gains/losses from fair value adjustments	2,609	1,715
Transfers	0	0
To/from Inventories	0	0
To/from property, plant and equipment	320	(106)
Other changes	0	0
Total other changes	2,929	1,609
Balance at end of year	10,364	12,300

(25) Long Term Debtors

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

Balance at 31/03/09 £000's	**Long term debtors analysis :**	**Balance at 31/03/10 £000's**	**Movement In the Year £000's**	**Balance at 31/03/11 £000's**
48	Property Charges	48	(48)	**0**
14	Employees Car Loans	23	(3)	**20**
39	Sale of Council Houses	27	(8)	**19**
620	School loans	449	(110)	**339**
6	Other Loans and Advances	5	7	**12**
727	**Total Long Term Debtors**	**552**	**(162)**	**390**

(26) Inventory and Work in Progress

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

Stock Held at 1-Apr-09	Stock Held at 31-Mar-10		Opening Balance at 31-Mar-10 £'000	Closing Balance at 31-Mar-11 £'000
19	70	Stocks	70	63
19	**70**		**70**	**63**

(27) Debtors

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

01/04/09 £000's	31/03/10 £000's	Amounts falling due in one year:-	31/03/11 £000's
7,901	7,143	Government Departments	3,227
2,570	3,182	Other Local Authorities	2,990
2,457	1,573	Collection Fund	2,551
2,207	2,450	Payments in Advance	2,624
5,538	6,679	Other Debtors	6,816
20,673	**21,027**	**Total Debtors**	**18,208**
(1,004)	**(1,181)**	**less provision**	**(1,238)**
19,669	**19,846**	**Total Debtors**	**16,970**

(28) Cash and Cash Equivalents

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

31/03/2010 £000		31/03/2011 £'000
1,230	Cash held by the Authority	1,281
-3,949	Bank current accounts	-3,786
6,879	Short Term Deposits with Building Societies	4,385
4,160	Total	1,880

(29) Assets Held for Sale

This Authority has one asset which is held for sale this is the Control Tower at Greenham Common.

(30) Short Term Borrowing

At 31 March 2011 short term borrowing amounted to £8.6m:

- £5.5m from the London Borough of Newham
- £3.0m from the London Fire and Emergency Planning Authority
- 0.1m from the Public Works and Loans Board (due to be repaid within one year).

(31) Creditors

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

01-Apr-09 £000's	31-Mar-10 £000's		31-Mar-11 £000's
9,544	1,250	Central government bodies	3,458
18,769	20,854	Sundry creditors	26,027
10,571	10,280	Receipts in advance	13,703
38,884	**32,384**	**Total**	**43,188**

(32) 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 IAS (International Accounting Standards) 37. The significant amount for 2010-11 relates to a provision made for restructuring costs relating to 2010-11 which have not been realised by the 31.3.2011 primarily in Adult Social Care

	Balance 31/03/10 £000's	Receipts In Year £000's	Payments in Year £000's	Balance 31/03/11 £000's
Crookham (extraction of minerals)	54	9	0	63
Provision for liabilities	76	1,114	(76)	1,114
Other Provisions	0	134	0	134
Total Provisions	**130**	**1,257**	**(76)**	**1,311**

(33) Long Term Borrowing

At 31 March 2011 long term borrowing amounted to £59.7m, entirely made up of loans from the Public Works and Loans Board (PWLB).

This amount includes £20.5m which is the outstanding balance on loans which were inherited from the former Royal County of Berkshire in December 2005 (see note 20 to the Statement of Accounting Policies).

The remaining £39.2m is the outstanding balances on loans which West Berkshire Council has taken out with the PWLB, since April 2005, to help fund investment in capital assets.

(34) Investments

-	Nominal Holding at 31/03/10 £000's	Market Value at 31/03/10 £000's	Cost £000's	Nominal Holding at 31/03/11 £000's	Market Value at 31/03/11 £000's	Cost £000's
Temporary	8,000	8,000	8,000	0	0	0
Total Investments	**8,000**	**8,000**	**8,000**	**0**	**0**	**0**

At 31st March 2011 there were no temporary investments.

(35) Long Term Investments

As at 31 March 2011 there were no Long Term Investments

(36) Unapplied Capital Grants and Contributions

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

	Balance as at 31-Mar-10 £ 000's	New Grants and Contributions £ 000's	Amount applied to fund Capital Expenditure £ 000's	Balance as at 31- Mar-11 £ 000's
Capital Grants and other Contributions Unapplied	(29,254)	(24,685)	28,743	(25,196)
Section 106 and SPG Contributions	(15,671)	(5,403)	4,891	(16,183)
Other Deferred Contributions	(38)	(4,754)	38	(4,754)
Total Unapplied Grants and Contributions	(44,963)	(34,842)	33,672	(46,133)

(37) Deferred Credits

	Balance 31/03/10 £000's	Credit £000's	Balance 31/03/11 £000's
Sale of Council Houses	26	(7)	19

(38) Capital Receipts Unapplied

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Capital Receipts Unapplied	**General Fund £000's**
Opening Balance	606
Capital receipts received in year	1,268
Capital receipts used for financing	(1,854)
Pooling of Capital receipts	0
Balance as at 31 March 2011	**20**
Net Movement in year	586

(39) Reserves and Balances

Usable

The authorities' usable reserves are made up as follows:

31 Mar 09 £000	31 Mar 10 £000		31 Mar 11 £000
39	26	Deferred Credit	19
593	606	Usable Capital Receipt	20
55,035	42,049	Capital Reserves	37,360
2,256	1,213	Working balances	777
6,841	7,117	General Fund	7,801
16,552	17,575	Earmarked reserves	15,386
81,316	68,586		61,363

Deferred Credit

Usable Capital Receipts: These are capital receipts, which have not been used to finance Capital expenditure or to repay debts.

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

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

	31st March 2010 £000's	Receipts £000's	Payments £000's	31st March 2011 £000's
Total Working Balances	1,213	0	(436)	777
			0	
General Fund	6,517	684	0	7,201
Risk Fund	600	0	0	600
		0	0	
Total General Reserve	7,117	684	0	7,801
Schools Balances	7,655	0	(510)	7,145
Special Expenses	9	0	(6)	3
Supporting People Reserve	969	0	(122)	847
Self Insurance Fund	1,183	21	0	1,204
Long term commitment	2,429	412		2,841
Ex BCC Liabilities	907	0	(748)	159
VAT Reserve	481	0	(481)	0
Specific Earmarked Reserves	1,591	16	0	1,607
Waste Management Strategy	2,351	0	(771)	1,580
	0	0	0	0
Total Earmarked Reserves	17,575	449	(2,638)	15,386
Total General Fund	25,905	1,133	(3,074)	23,964

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 2011 Schools held total balances of £7.145m, of which £4.484m was revenue and £2,661m was capital.

The £7.145m is an amalgamation of unspent and overspent balances of which £7.835m is the unspent revenue and £0.690m is the overspent revenue. 6 schools closed with a deficit revenue balance compared to 5 schools last year.

This figure does not include balances held by former grant maintained (GM) schools (3 secondary and 1 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. 17 schools have closed with an excess balance (totalling £0.276m) compared to 31 schools the previous year (totalling £0.848m). The Schools forum will consider explanations from schools at their July 2011 meeting and any schools retaining an excess balance outside permitted uses will have the excess balance clawed back.

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: was 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: This Fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The Fund is used to pay the first £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. The significant decrease in 10/11 related to moving sums to the Capital Adjustment Account in respect of capital financing.

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 was held pending the outcome of an HM Customs and Excise appeal.

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.

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

(40) Unusable Reserves

31 Mar 10 £000		31 Mar 11 £000
(4,401)	accumulated Absences Account	(4,095)
41,836	Revaluation reserve	48,409
263,274	Capital Adjustment Account	247,970
(163,662)	Pension Reserve	(96,074)
(681)	Collection Fund	(359)
136,366	Total Unusable Reserve	195,851

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

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

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

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

	2009/10 £000's	**2010/11 £000's**
Opening Balance	20,131	41,837
Upward revaluations of assets	22,882	8,625
Sold Assets	(36)	(42)
Impaired assets	(126)	(306)
Depreciation in year	(1,014)	(1,705)
Closing Balance	**41,837**	**48,409**

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

The account contains revaluation gains accumulated on Property Plant and Equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

2009/10 £000's		2010/11 £000's
288,747	**Opening Balance**	**264,001**
62	Revenue contribution to capital	97
859	Capital receipts	1,854
(1,164)	Internally funded cap programme	12,501
405	Minimum Revenue Provision for loan repayment	1,565
28,940	Capital financing of deferred charges	15,156
(31,666)	Deferred Assets charged	(22,932)
(18,523)	Depreciation	(19,970)
2,480	Depreciation on revaluation reserve and impaired properties	1,677
(274)	Sold assets	(2,216)
25	Revaluation reserve re sold assets	42
(10,206)	Impaired assets	(7,206)
(727)	Revaluations Investment Properties	1,715
1,477	BCC Principal payments	1,686
2,839	Government Grants Deferred	0
263,274	**Closing Balance**	**247,970**

Pension Reserve: The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provision. Post employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer’s contributions to pension funds or eventually pay any pensions for which it is directly responsible. See note 17 for further information.

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

2009/10 £000		2010/11 £000
0	Balance at 1 April	(681)
(681)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different form council tax income calculated for the year in accordance with statutory requirements	322
(681)	Balance 31 March	(359)

(41) Contingent Liabilities

There are currently two complex legal cases which are going through the courts, it is impossible at this time to assess what monetary amounts may need to be paid out should the Council be found liable.

(42) Contingent Assets

There are no Contingent Assets.

(43) Post Balance Sheet Events

There are no known post Balance Sheet events.

(44) Other Government Grants

These Government Grants form part of the Cash Flow Statement.

	2010/11 £000's
Learning and Skills Council	13,990
Standards Fund Grant	14,991
Concessionary Fares	223
Private Finance Initiative	2,312
Council Tax Benefit	8,150
Social Care Reform	594
Drug Action	96
Contact Point	30
Under Fives Free Milk	100
Education Grants	672
Sure Start	4,244
Asylum Seekers	473
Youth Offending	221
Teacher Recruitment	106
Think Family	358
Other	637
Total Other Government Grants	**47,197**

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

Restated 2009/10	–	£000's	£000's
(275)	General Fund Surplus	(684)	
	Non Cash Transactions		**(684)**
32,607	Contribution to/(from) Reserves		11,820
	Items on an accruals basis		
(51)	(Increase)/Decrease in Stock	7	
(177)	(Increase)/Decrease in Debtors	5,699	
(18,372)	Increase/(Decrease) in Creditors	(4,262)	
			1,444
13,732	**Items classified outside Revenue Activities**		12,580
13,732	**Net cashflows from operating activities**		12,580

(46) Cash flow Reconciliation to Balance Sheet

Restated 31/03/10 £000's	–	Balance at 31/03/10 £000's	Cash Movement £000's	Balance at 31/03/11 £000's
16,036	Temporary Borrowing	16,036	(7,411)	8,625
(8,000)	Temporary Investments	(8,000)	8,000	0
4,160	Cash and cash equivalents	4,160	(2,280)	1,880
4,160		4,160	(2,280)	1,880

(47) Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). 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 2010. The DSG allocation is based on the number of pupils recorded in the January school census.

The Schools Budget is split between centrally retained expenditure and individual schools budgets. Centrally retained expenditure consists of a range of educational services provided on an authority-wide basis, mainly for children educated out of maintained school settings including special needs placements (in both private establishments and in other Local Authorities), pupil referal units and nursery education in the private voluntary and independent sector. The Individual Schools Budget is divided into a budget share for each of the 80 maintained schools, based on a formula largely dependent on pupil numbers.

About 80-85% of spending by schools is on staffing, the remainder spent on building costs (utilities, rates, maintenance), contracts for support services, and curriculum/classroom resources.
Details of the deployment of DSG receivable for 2010/11 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000's	Individual Schools Budget £000's	Total £000's
Final DSG for 2010/11			100,223
Brought forward from 2009/10			1032
Carry forward to 2011/12 agreed in advance			0
Agreed budgeted distribution in 2010/11	12,830	88,425	101,255
Actual Central expenditure	(12,756)		(12,756)
Actual ISB deployed to schools		(88,420)	(88,420)
Local Authority contribution for 2010/11	0	0	0
Carry forward to 2011/12	74	5	79

(48) Trust Funds

During the year 2010-11, the Council acted as Trustee for the Buller Trust. The Trust was closed in December 2010 and all funds transferred to the beneficiary.

	Value of Fund £ 000'S 2009/10	Value of Fund £ 000'S 2010/11
	40	0
Buller Trust - Monies held on behalf of dependents	40	0

(49) Financial Instruments

The following notes and tables on Financial Instruments meet the requirement for Local authority to publish information about the management of risk and the fair value of its financial assets and liabilities.

Amortised Cost
Most financial instruments (whether borrowing or investment) are valued in 2010/11 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” (investments, lending and borrowing by 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 as follows:

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long Term		Short Term	
	31st March 2010 £000s	31st March 2011 £000s	31st March 2010 £000s	31st March 2011 £000s
Cash and Investments				
Loans and receivables *(2)*	-	-	8,000	-
Available-for-sale financial assets	-	-	-	-
Unquoted equity under available for sale	-	-	-	-
Cash and cash equivalents	-	-	4,160	1,880
Total Investments	-	-	12,160	1,880
Debtors				
Loans and receivables	-	-	-	-
Financial assets carried at contract amount	-	-	**12,311**	**12,430**
Total Debtors	**-**	**-**	**12,311**	**12,430**
Borrowings				
Financial Liabilities at amortised cost	53,326	59,701	16,036	8,625
Financial Liabilities at fair value through profit and loss	-	-	-	-
Other Borrowing	-	-	-	-
Total Borrowings	**53,326**	**59,701**	**16,036**	**8,625**
Creditors				
Financial Liabilities at amortised cost	-	-	-	-
Financial Liabilities carried at Contract	-	-	31,134	39,730
Total Creditors	**-**	**-**	**31,134**	**39,730**

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Table 2 - Financial Instrument Gains/Losses 2010/11

	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £000s	Loans and Receivables £000	Available-for-Sale Assets £000	Fair Value through P&L £000	Total £000
Interest expense	(2,412)	0	0	0	(2,412)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest Paid and similar charges	**(2,412)**	**0**	**0**	**0**	**(2,412)**
Interest income	0	80	0	0	80
Gains on derecognition	0	0	0	0	0
Interest and investment income	**0**	**80**	**0**	**0**	**80**
Gains on revalutation	0	0	0	0	0
Losses on revalutation	0	0	0	0	0
Amounts recycled to the I&E account after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**(2,412)**	**80**	**0**	**0**	**(2,332)**

Note:

The figures shown above for interst earned exclude interest on money market funds, deposit accounts and fixed investments under 3 months which are treated as cash equivalents

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. (Premature repayment rates are not used because they include a margin which represents the lender's profit as a result of rescheduling the loan which is not part of the fair value).

For PWLB debt, the fair value is as advised in the PWLB Residual Maturity Analysis statement as at 31st March 2011. For these loans fair value is more than the carrying amount because the interest rate payable for many of them 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.

All other loans held at 31st March 2010 are for less than 12 months. The fair value of these short term loans is therefore deemed to be equal to the carrying value.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

Client to expand rows as appropriate

TABLE 3 - FAIR VALUE OF LIABILTIES CARRIED AT AMORTISED COST

	31st March 2010		31st March 2011	
	Carrying Amount £000s *(1)*	**Fair Value £000s**	**Carrying Amount £000s**	**Fair Value £000s**
PWLB Maturity Loans	19,820	23,347	20,506	24,099
Other PWLB Loans > 1 Year	28,006	28,283	39,195	41,765
LOBOs	-	-	-	-
Other long term borrowing	5,500	5,500		
Bank Overdraft	-	-	-	-
Short term borrowing	16,036	16,036	8,625	8,625
Total Financial Liabilities	**69,362**	**73,166**	**68,326**	**74,489**

Note:
(1) Values for 2010/11 have been restated for the following reasons:

- PWLB loans at 31 March 2010 were shown as all maturity loans but whereas some were actually annuity and EIP loans

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

Client to expand rows as appropriate

TABLE 4 - FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2010		31st March 2011	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Cash and cash equivalents	4,160	4,160	1,880	1,880
Deposits with banks and building societies > 3 months	8,000	8,000	-	-
Eurosterling bonds	-	-	-	-
Other	-	-	-	-
	12,160	12,160	1,880	1,880

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 receivable is not materially different from the rates available for similar loans at the Balance Sheet date.

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 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;

The prudential indicators and the investment strategy are reported and approved at or before the Council's annual Council Tax setting budget. 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.

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. According to its current Treasury Management Policies, the Council only invested funds in 2010/11 for periods of less than 13 months with the following types of institiutions:

- UK Banks with a Fitch credit rating of F1
- Money Market funds with a credit rating of AAA
- The top 25 UK building societies
- Other local authorities

The council also has a policy of limiting deposits with any one institution to a maximum of £5,000,000. (Lower limits are applied to Building Societies outside the top ten in terms of asset value).

Debtors

The Council does not generally allow credit for customers. The following table shows the age of payments which were overdue from customers as at 31st March 2011:

TABLE 5 - CREDIT RISK (B): AGE OF DEBTS

	31st March 2011 £000s
30-59 Days	1,201
60-89 Days	171
90-119 Days	55
120 days and above	519
Total	**1,946**

Note: The above figures relate only to debts raised through the Accounts Receivable System

Liquidity Risk

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

The 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 6 - LIQUIDITY AND REFINANCING RISK

	On 31st March 2010 £000s	On 31st March 2011 £000s
Loans outstanding		
PWLB loans for more than one year	47,826	59,701
Other Long Term Borrowing	5,500	-
Temporary Borrowing	16,036	8,625
Local Bonds	-	-
Deferred Purchase	-	-
Other	-	-
Total	**69,362**	**68,326**
Less than 1 year	16,036	8,625
Between 1 & 2 years	5,750	-
Between 2 & 5 years	162	2,123
Between 5 & 15 years	534	482
More than 15 Years	46,880	57,096
Total	**69,362**	**68,326**
Investments Outstanding (1)		
Temporary investments	8,000	-
	8,000	**-**
Less than 1 year	8,000	-
	8,000	**-**

Note:
Investments shown above exclude money market funds, deposit accounts and fixed investments under 3 months which are treated as cash equivalents

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 adversely affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.

- Increases in interest rates will adversely 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.

- 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 2011, 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.

(50) Non Distributed Costs from the Comprehensive Income and Expenditure Account

The Non distributed costs in the net cost of services of the Comprehensive Income and Expenditure Account are primarily due to the £30m change to the past service cost in the pension scheme. This resulted from the Central Government announcing that pension schemes will be up-dated in line with Consumer Prices Index rather than the Retail Prices Index. This reduces the pension deficit hence the 'expenditure' in the net cost of services.

(51) Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Auothority's Members on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payments of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

Directorate Expenditure
For the year ended 31 March 2010

	Children & Young People	Adult Social Services	Environment	Chief Executive	Below the line items	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(548)	(6,779)	(5,600)	(612)	0	**(13,539)**
Government grants	(134,360)	(14,140)	(4,282)	(44,403)	0	**(197,185)**
Total Income	**(134,908)**	**(20,919)**	**(9,882)**	**(45,015)**	**0**	**(210,724)**
Employee expenses	17,017	18,353	9,025	4,600	0	**48,995**
Other operating expenses	142,360	47,932	31,917	47,165	5,236	**274,610**
Support Service Recharges						**0**
Total operating expenses	**159,377**	**66,285**	**40,942**	**51,765**	**5,236**	**323,605**
Net Cost of Services	**24,469**	**45,366**	**31,060**	**6,750**	**5,236**	**112,881**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000s
Cost of Services in Service Analysis	**112,881**
Add services not included in main analysis	0
Add amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	55,274
Remove amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	0
Net Cost of Services in Comprehensive Income and Expenditure Statement	**168,155**

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	Allocation of support service recharges	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(13,539)	0	(479)	**(14,018)**	(176)	**(14,194)**
Surplus or deficit on associates and joint ventures	0	0	0	**0**	0	**0**
Interest and investment income	0	0	0	**0**	(292)	**(292)**
Income from council tax	0	0	0	**0**	(79,017)	**(79,017)**
Government grants and contributions	(197,185)	0	0	**(197,185)**	(61,155)	**(258,340)**
Total Income	**(210,724)**	**0**	**(479)**	**(211,203)**	**(140,640)**	**(351,843)**
Employee expenses	48,995	5,601	8,600	**63,196**	5,829	**69,025**
Other service expenses	274,610	21,115	3,211	**298,936**	0	**298,936**
Support Service recharges	0	0	(11,332)	**(11,332)**	0	**(11,332)**
Depreciation, amortisation and impairment	0	28,558	0	**28,558**	0	**28,558**
Interest Payments	0	0	0	**0**	1,519	**1,519**
Precepts & Levies	0	0	0	**0**	3,317	**3,317**
Payments to Housing Capital Receipts Pool	0	0	0	**0**	55	**55**
Gain or Loss on Disposal of Fixed Assets	0	0	0	**0**	(585)	**(585)**
Total operating expenses	**323,605**	**55,274**	**479**	**379,358**	**10,135**	**389,493**
Surplus or deficit on the provision of services	**112,881**	**55,274**	**0**	**168,155**	**(130,505)**	**37,650**

Directorate Expenditure

For the year ended 31 March 2011

	Children & Young People	Adult Social Services	Environment	Chief Executive	Below the line items	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(2,470)	(7,004)	(6,016)	(2,529)	(1,187)	**(19,206)**
Government grants	(139,279)	(8,933)	(3,467)	(47,599)	0	**(199,278)**
Total Income	**(141,749)**	**(15,937)**	**(9,483)**	**(50,128)**	**(1,187)**	**(218,484)**
Employee expenses	19,549	17,859	10,297	11,685	2,501	**61,891**
Other operating expenses	146,278	45,927	28,916	50,768	1,610	**273,499**
Support Service Recharges						**0**
Total operating expenses	**165,827**	**63,786**	**39,213**	**62,453**	**4,111**	**335,390**
Net Cost of Services	**24,078**	**47,849**	**29,730**	**12,325**	**2,924**	**116,906**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000s
Cost of Services in Service Analysis	**116,906**
Add services not included in main analysis	3
Add amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	33,776
Remove amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	(11,640)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**139,045**

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Services not in the Analysis	Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	Allocation of support service recharges	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(18,856)	(12)	0	4,568	(281)	**(14,581)**	(4,286)	**(18,867)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(350)	0	0	350	0	**0**	(351)	**(351)**
Income from council tax	0	0	0	0	0	**0**	(81,470)	**(81,470)**
Government grants and contributions	(199,278)	0	0	804	(219)	**(198,693)**	(65,209)	**(263,902)**
Total Income	**(218,484)**	**(12)**	**0**	**5,722**	**(500)**	**(213,274)**	**(151,316)**	**(364,590)**
Employee expenses	61,890	0	(22,399)	(10,626)	8,533	**37,398**	8,711	**46,109**
Other service expenses	274,567	15	22,459	(4,154)	3,500	**296,387**	1,604	**297,991**
Support Service recharges	0	0	0	0	(11,533)	**(11,533)**	36	**(11,497)**
Depreciation, amortisation and impairment	(1,191)	0	33,716	(44)	0	**32,481**	12	**32,493**
Interest Payments	124	0	0	(2,412)	0	**(2,288)**	2,412	**124**
Precepts & Levies	0	0	0	(126)	0	**(126)**	3,445	**3,319**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	0	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**	(153)	**(153)**
Total operating expenses	**335,390**	**15**	**33,776**	**(17,362)**	**500**	**352,319**	**16,067**	**368,386**
Surplus or deficit on the provision of services	**116,906**	**3**	**33,776**	**(11,640)**	**0**	**139,045**	**(135,249)**	**3,796**

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.

2009/10 £000's		notes	£000's	2010/11 £000's
	Income			
(91,558)	Council Tax	(1)	(94,157)	
(68,884)	National Non-domestic rates	(2)	(67,555)	
(423)	Government Grants	(3)	(440)	
(160,865)	**Total Income**			**(162,152)**
	Expenditure			
	Precepts & Demands:	(4)		
79,403	West Berkshire Council		81,845	
9,488	Thames Valley Police Authority		9,783	
3,456	Royal Berkshire Fire Authority		3,529	
92,347				95,157
	Transfer to General Fund in respect of estimated	(5)		
(441)	Distribution of Deficit in respect of Council Tax			(436)
	Non-Domestic Rates:			
68,311	payments to the pool	(2)	67,026	
264	costs of collection		247	
68,575				67,273
185	Provision for non-payment of Council Tax	(6)		(500)
308	Provision for non-payment of NNDR	(7)		282
160,974	**Total Expenditure**			**161,776**
109	**(Surplus)/Deficit**			**(376)**
684	(Surplus)/deficit brought forward			794
109	(Surplus)/deficit for year			(376)
793	**(Surplus)/deficit carried forward**			**418**

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 2010 £000's		£000's	31 March 2011 £000's
100,686	Opening Debit :	103,459	
12,065	plus additional debit	10,820	
112,751			114,279
(11,640)	less reduced debit	(10,706)	
(2,872)	exemptions	(2,668)	
(6,596)	discounts	(6,663)	
(85)	disabled relief	(85)	
(21,193)			(20,122)
91,558	**NET DEBIT**		**94,157**

(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 2010 £000's		£000's	31 March 2011 £000's
72,903	Opening Debit	72,367	
	Debit Adjustment b/f	821	
72,903			73,188
(1,814)	less empty and revalued properties	(4,055)	
(260)	Interest payments to the pool	(218)	
393	transitional relief	1,470	
(2,279)	mandatory relief	(2,776)	
(59)	discretionary relief	(55)	
(4,019)			(5,634)
68,884	**NET DEBIT**		**67,554**
264	Costs of Collection	247	
308	Contribution to Bad Debt Provision	282	
68,312	Net Contribution to pool	67,026	
68,884			**67,555**

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:

2009/10 £000's		2010/11 £000's
(423)	Ministry of Defence Properties	**(440)**

(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.

(5) 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 2011. The deficit is shared between the precepting bodies, West Berkshire Council received £375,000, the Thames Valley Police £44,806 and the Fire Authority £16,324.

(6) Provision For Non Payment of Council Tax

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

2009/10 £000's		2010/11 £000's
316	Opening Balance	352
185	Transfer from Income & Expenditure Account	(500)
(149)	Write Offs in the Year	298
352	Closing Balance	**150**

(7) Provision for non-payment of NNDR

2009/10 £000's		2010/11 £000's
550	Opening Balance	543
308	Transfer from the Income and Expenditure Account	282
(315)	Write Offs in the Year	(282)
543	Closing Balance	**543**

8) Council Tax Base

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

Range of Property Values		Band	Net Dwellings	Multiplier	Band D Equivalent £
	Disabled	A	0.00	5/9	0.00
	up to £40,000	A	1,840.85	6/9	1,227.27
over £40,000	up to £52,000	B	5,173.65	7/9	4,023.93
over £52,000	up to £68,000	C	16,793.70	8/9	14,927.75
over £68,000	up to £88,000	D	15,556.85	9/9	15,556.85
over £88,000	up to £120,000	E	9,473.00	11/9	11,578.12
over £120,000	up to £160,000	F	6,057.40	13/9	8,749.55
over £160,000	up to £320,000	G	3,936.70	15/9	6,561.18
over £320,000		H	611.55	18/9	1,223.10
					63,849.85
			Adjustment for Losses on Collection x		0.993
					63,402.90

Annual Governance Statement

1 Scope of responsibility

1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 West Berkshire Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

1.4 This statement explains how West Berkshire Council has complied with the code and also meets the requirements of 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 2011 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 Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- conducting an annual review of the effectiveness of Internal Audit
- 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

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 Finance and 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 of 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 <u>Significant governance issues identified in the AGS for 2009-10</u>

5.1 The following is an outline of the significant governance issues that were identified in the 2009-10 AGS.

- Further work remains to be done on the governance of Health and Safety.
- Work needs to be done to tighten the management of sensitive information

5.2 The following measures were implemented during 2010-11:

- The Health and Safety Strategy was updated and monitoring system introduced to support the "Responsible Person" for each Council building, known as FLASH (covering Fire, Legionnella, Asbestos and general Safety and Health). Better accident investigation and risk assessment processes have been put in place.
- The Council introduced mandatory training for all staff on data security and published advice and guidance. In addition a quarterly report on security issues was made to Corporate Board to ensure effective monitoring of progress.

6 <u>Significant Governance Issues identified in 2010-11</u>

6.1 The following is an outline of the significant governance issues that have been identified in preparing the 2010-11 AGS.

- Service resilience – may lead to failures in critical systems

- Judicial review / legal challenge

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.

- Ensure that as part of ongoing service reductions that a risk assessment is carried out to ensure that business critical functions and processes are not threatened.
- Review Court judgements in order to minimise the risk of similar challenge to the Council..

Signed:

Nick Carter – Chief Executive

Graham Jones – Leader of the Council

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 2010/11 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 United Kingdom ('the Code'), to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year (ended 31st March 2011).

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;

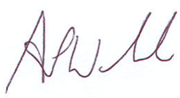
- complied with the local authority SORP.

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 present a true and fair view of the financial position of West Berkshire Council as at 31st March 2011.



Andy Walker; Head of Finance

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Title of Report:	**Heads of Service Assurance Statements**
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	5 September 2011
Forward Plan Ref:	GA2344

Purpose of Report: **To outline the process by which Heads of Service support the Council's Annual Governance Statement through production of their Annual Assurance Statements.**

Recommended Action: **Note the report.**

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

Other options considered: None

Key background documentation: Service Risk Registers

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

☒ **CPT13 - Value for Money**
☒ **CPT14 - Effective People**
☒ **CPT16 - Excellent Performance Management**

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:
Ensuring effective management of risk

Portfolio Member Details	
Name & Telephone No.:	Councillor Anthony Stansfeld - Tel (01488) 658238
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Date Portfolio Member agreed report:	5 August 2011

Contact Officer Details	
Name:	Ian Priestley
Job Title:	Chief Internal Auditor
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Implications

Policy: none

Financial: none

Personnel: none

Legal/Procurement: none

Property: none

Risk Management: The report outlines the results of a review of service risk across the Council.

Equalities Impact Assessment: No issues identified.

Is this item subject to call-in?	Yes: ☒	No: ☐
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval		☐
Delays in implementation could have serious financial implications for the Council		☐
Delays in implementation could compromise the Council's position		☐
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months		☐
Item is Urgent Key Decision		☐

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 monitor the areas of concern, highlighted by Heads of Service in their risk registers on an ongoing basis

3. Conclusion

3.1. Corporate Directors to ensure that Action Plans are reviewed with their Heads of Service on a quarterly basis.

3.2. The Council’s Risk Management framework is robust.

Executive Report

1. Introduction

1.1. The purpose of this report is to inform Governance and Audit Committee of the process followed by the Council to provide effective assurance from Heads of Service on the management of risk within each service as a support to the Annual Governance Statement for 2010-11.

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 Finance and 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. A copy of the template that the Heads of Service complete is attached as appendix B. This template sets out in some detail the steps each Head of Service has taken to maintain an effective internal control framework and manage risk to the delivery of their objectives.

3.3. 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.

3.4. Corporate Board have reviewed, the areas of concern identified by Heads of Service, and will bring these issues into consideration at the next monthly review of the Strategic Risk Register Action Plan.

4. 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 to insufficient funding to meet service objectives. Service delivery seems to be a concern for most Heads of Service caused by cost reductions which also have direct impact maintaining service resilience.

4.3. The Environmental Health Team in Public Protection have now started running a risk register and this has identified a number new risks within the Property and Public Protection Service, eg relating to houses in multiple occupation and land contamination.

4.4. In addition, the main areas for concern remain within Adult Social Care and Social Care Commissioning and Housing around the transformation of services and delivery of associated savings. This has the potential to have a significant impact on the Council and is noted in the Council's Strategic Risk Register.

4.5. The table below summarises, by service, the number of red risks and compares 08-09, 09-10 and 10-11. The number of red risks dropped significantly in 09-10 due to changes in ICT, but have risen again in part due to the Environmental Health risks noted above.

Service Area	**Number of Red Risks for 08-09**	**Number of Red Risks for 09-10**	**Number of Red Risks for 10-11**
Legal	1	0	0
Benefits & Exchequer	0	0	0
Finance	0	0	1
Policy & Communication	0	0	0
Special Projects	0	0	0
Human Resources	2	0	0
ICT	8	1	0
Property & Public Protection	0	1	4
Highways & Transport	2	2	2
Planning & Countryside	0	0	0
Youth and Commissioning	2	2	3
Children's Services	0	0	0
Customer Services	0	0	0
Education Services	3	2	1
Cultural Services	1	0	0
Social Care Commissioning & Housing	2	2	2
Adults Social Care	6	5	5
Total	**27**	**15**	**18**

5 Conclusion

5.1 Corporate Board and Management Board have considered the issues raised by Heads of Service and this has contributed to their view that service resilience is an issue of concern for the Council and consequently this has been reflected as an issue of concern in the AGS for 2010-11.

6 Recommendation

6.1 The service risk registers should be reviewed over the coming year by the Risk and Safety Manager in conjunction with the Heads of Service.

Appendices

Appendix A – Equality Impact Assessment – Stage 1
Appendix B – Copy of the Head of Service Assurance Statement template

Consultees

Local Stakeholders:	Not consulted
Officers Consulted:	Corporate Board, Heads of Service
Trade Union:	Not consulted

APPENDIX A

Equality Impact Assessment – Stage One

Name of item being assessed:	**Heads of Service Assurance Statements**
Version and release date of item (if applicable):	
Owner of item being assessed:	Ian Priestley
Name of assessor:	Ian Priestley
Date of assessment:	18.7.11

1. What are the main aims of the item?
To review service risks across the Council

2. Note which groups may be affected by the item, consider how they may be affected and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender, Race, Religion or Belief and Sexual Orientation.)

Group Affected	**What might be the effect?**	**Information to support this.**
None		

Further comments relating to the item:

3.	**Result** (please tick by double-clicking on relevant box and click on 'checked')
☐	**High Relevance** - This needs to undergo a Stage 2 Equality Impact Assessment
☐	**Medium Relevance** - This needs to undergo a Stage 2 Equality Impact Assessment
☐	**Low Relevance** - This needs to undergo a Stage 2 Equality Impact Assessment
X	**No Relevance** - This **does not** need to undergo a Stage 2 Equality Impact Assessment

For items requiring a Stage 2 equality impact assessment, begin the planning of this now, referring to the equality impact assessment guidance and Stage 2 template.

4. Identify next steps as appropriate:	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	

Name: Ian Priestley **Date**: 18.7.11

Appendix B – Head of Service Assurance Statement Pro-forma

	Assurance Statement for …………………….Service
1	**Statutory obligations & Local Code of Corporate Governance** The Head of …………....Service has identified all principal statutory obligations and these are identified in the ……………….Service 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 of ………..………..Services. In particular all managers within the service are aware of and follow the Council's Contracts Rules of Procedure and Financial Rules of Procedure.
2	**Service Risk Register** The Head of …………Service 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.
3	**Internal Controls** The Head of ……………. Service has identified controls that are designed to mitigate the risks identified in 2 above. The Head of ……….....Service has assigned responsibility for the effective operation of each control to a nominated officer. The Head of ……..…..Service 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.
4	**Control Weaknesses** The Head of ………Service 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 of …….……Service has put in place action plans to provide effective controls going forwards where resources allow. The Head of ……….……Service 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. Where resources are not available to deliver the required controls the Corporate Director has been informed.
5	**Major Projects** 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

6	**Overall Assurance from Head of Service** In my opinion the internal control framework of the ………..service 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. Signed by ………………………Head of…………………Service Date
7	**Corporate Director Review** 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. I agree with the opinion of the Head of ……………..Service set out in 6 above. 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. Signed by ………………………...Corporate Director …………………………. Date……………..
8	**Portfolio Holder Review** I have reviewed the statements contained above and the copy of the Service Risk Register and Action Plan which is attached. **Signed by …………………………..Portfolio Holder …………………………..** **Date**