Public Document Pack

Notice of Meeting

Governance and Audit Committee

Monday, 1st September, 2014 at 5.00 pm

in Commitee Room 1 Council Offices
Market Street Newbury

Date of despatch of Agenda: Thursday, 21 August 2014

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Andy Day / Moira Fraser on (01635) 519459 / (01635) 51904
e-mail: aday@westberks.gov.uk / mfraser@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 Peter Argyle, Brian Bedwell, Paul Bryant, Sheila Ellison, Tony Linden, Geoff Mayes, Julian Swift-Hook (Vice-Chairman) and Quentin Webb (Chairman)

Substitutes: Councillors Gwen Mason and Tony Vickers

Agenda

Part I

Andy Day
Head of Strategic Support

If you require this information in a different format or translation, please contact Moira Fraser on telephone (01635) 519045.

West Berkshire
COUNCIL

cutting through complexity™

External Audit Plan 2013/14

West Berkshire Council

April 2014

Contents

The contacts at KPMG in connection with this report are:

Ian Pennington
Director
KPMG LLP (UK)

Tel: 029 2046 8087
ian.pennington@kpmg.co.uk

Jo Lees
Senior Manager
KPMG LLP (UK)

Tel: 020 7311 1367
joanne.lees@kpmg.co.uk

Hannah Collins
Assistant Manager
KPMG LLP (UK)

Tel: 020 7694 8868
hannah.collins@kpmg.co.uk

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.audit-commission.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 Ian Pennington, 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Introduction

This document describes how we will deliver our audit work for West Berkshire Council.

Scope of this report

This document supplements our *Audit Fee Letter 2013/14* presented to you in April 2013. It describes how we will deliver our financial statements audit work for West Berkshire Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2013/14.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement):* providing an opinion on your accounts; and
- *use of resources:* concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements and VFM audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM work and sets out our initial risk assessment for the VFM conclusion.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

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

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Headlines

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

Audit approach	Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings, and specifically our on-site work, have been agreed with the Head of Finance. Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review throughout the audit the initial assessments presented in this document and should any new risks emerge we will evaluate them and respond accordingly.
Significant financial statements audit risks	We have completed our initial risk assessment for the financial statements audit and have not identified any significant risks to date that alter our approach to this audit.
VFM audit approach	We have completed our initial risk assessment for the VFM audit and have not identified any significant risks at this stage.
Audit team, deliverables, timeline and fees	We have refreshed our audit team this year. ▪ Ian Pennington has taken over from Andy Sayers as Engagement Lead; ▪ Jo Lees returns from maternity leave as Senior Manager; and ▪ Hannah Collins has taken over from Grant Slessor as Assistant Manager. Our main year end audit is currently planned to start on 14 July 2014. Upon conclusion of our work we will again present our findings to you in our *Report to Those Charged with Governance (ISA 260 Report)*. The planned fee for the 2013/14 audit is £127,800. This is unchanged from the position set out in our *Audit Fee Letter 2013/14* and represents no increase from the fee charged in 2012/13.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Section three

Our audit approach

We undertake our work on your financial statements in four key stages during 2014:

- **Planning (March to April).**
- **Control Evaluation (March to April).**
- **Substantive Procedures (July to August).**
- **Completion (September).**

We have summarised the four key stages of our financial statements audit process for you below:

	Stage	Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	Planning	Update our business understanding and risk assessment.			○						
		Assess the organisational control environment.			○						
		Determine our audit strategy and plan the audit approach.			○						
		Issue our *Accounts Audit Protocol*.				○					
2	Control evaluation	Evaluate and test selected controls over key financial systems.			○						
		Review the internal audit function.			○						
		Review the accounts production process.			○						
		Review progress on critical accounting matters.				○					
3	Substantive procedures	Plan and perform substantive audit procedures.						○	○	○	
		Conclude on critical accounting matters.							○	○	
		Identify audit adjustments.							○	○	
		Review the Annual Governance Statement.							○	○	
4	Completion	Declare our independence and objectivity.									○
		Obtain management representations.									○
		Report matters of governance interest.					○				○
		Form our audit opinion.									○

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Our audit approach – planning

During March and April 2014 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

Our planning work takes place in March and April 2014. This involves the following aspects:

Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team on an ongoing basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

In accordance with ISA 320 '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

An indicative level of materiality for 2013/14 is £10 million. This is based on the prior year Statement of Accounts and on our understanding of the projected outturn for the current year. This figure is a guide only. The overriding objective is to preserve the true and fair view presented by the financial statements and we will consider any audit differences, individually and cumulatively, in that context. See appendix 3 for further details.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Our audit approach – planning (continued)

We discussed our *Accounts audit protocol* following completion of our planning work.

Accounts audit protocol

At the end of our planning work we discussed our *Accounts Audit Protocol*. We agreed the timetable for our accounts audit visit and also the working papers we would require from the authority to undertake our work.

We met with the Head of Finance to discuss mutual learning points from the 2012/13 audit and new issues emerging in 2013/14. We have incorporated these matters into our work plan for 2013/14. We will revisit progress against areas identified for development as the audit progresses.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Our audit approach – control evaluation

During March to April 2014 we completed our interim audit work.

We assessed if controls over key financial systems were effective during 2013/14.

We work with your finance team to enhance the efficiency of the accounts audit.

We did not identify any significant matters for reporting to the Governance and Audit Committee.

Our interim visit on site was completed during March 2014. We did not identify any significant matters for reporting to the Governance and Audit Committee.

We completed work in the following areas:

Control Evaluation	
	■ Evaluated and tested controls over key financial systems identified as part of our risk assessment. ■ Reviewed the work undertaken by the internal audit function on controls relevant to our risk assessment. ■ Reviewed the accounts production process. ■ Reviewed progress on critical accounting matters.

Controls over key financial systems

We updated our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirmed our understanding by completing walkthroughs for these systems. We then tested selected controls that address key risks within these systems, drawing on the work of internal audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Accounts production process

We raised one recommendation in our *ISA 260 Report 2012/13* relating to the accounts production process. This was to:

- Introduce a process to prevent prior year figures being amended in the draft financial statements after they had been submitted for audit.

We will assess the Authority's progress in addressing our recommendations and in preparing for the closedown and accounts preparation.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Section three

Our audit approach – substantive procedures

During July to August 2014 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report* to the Governance and Audit Committee in September 2014.

Our final accounts visit on site has been provisionally scheduled for the period 14 July – 1 August and 18 – 22 August 2014. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the Head of Finance in August 2014, prior to reporting to the Governance and Audit Committee on 1 September 2014.

Audit adjustments

During our on site work, we will meet with the Financial Reporting Team on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on-site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Governance and Audit Committee. 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.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue in August 2014.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Our audit approach – other

In addition to the financial statements, we also audit the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.   Deadlines for production of the pack and issue of our opinion on the pack have not yet been confirmed.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Governance and Audit Committee. Our deliverables are included on page 16.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit Engagement Lead and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Governance and Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

We confirm that as of 9 April 2014, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Key financial statements audit risks

In this section we set out our assessment of the significant risks to the audit of the Authority's financial statements for 2013/14.

We have identified no specific risks at this stage.

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Our initial assessment has not identified any financial statement risks that are specific to the Authority.

We will revisit our assessment throughout the year and should any risks present themselves we will adjust our audit strategy as necessary.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

VFM audit approach

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing **financial resilience**.	The organisation has robust systems and processes to: ▪ manage effectively financial risks and opportunities; and ▪ secure a stable financial position that enables it to continue to operate for the foreseeable future.	▪ Financial governance ▪ Financial planning ▪ Financial control
The organisation has proper arrangements for challenging how it **secures economy, efficiency and effectiveness**.	The organisation is prioritising its resources within tighter budgets, for example by: ▪ achieving cost reductions; and ▪ improving efficiency and productivity.	▪ Prioritising resources ▪ Improving efficiency and productivity

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

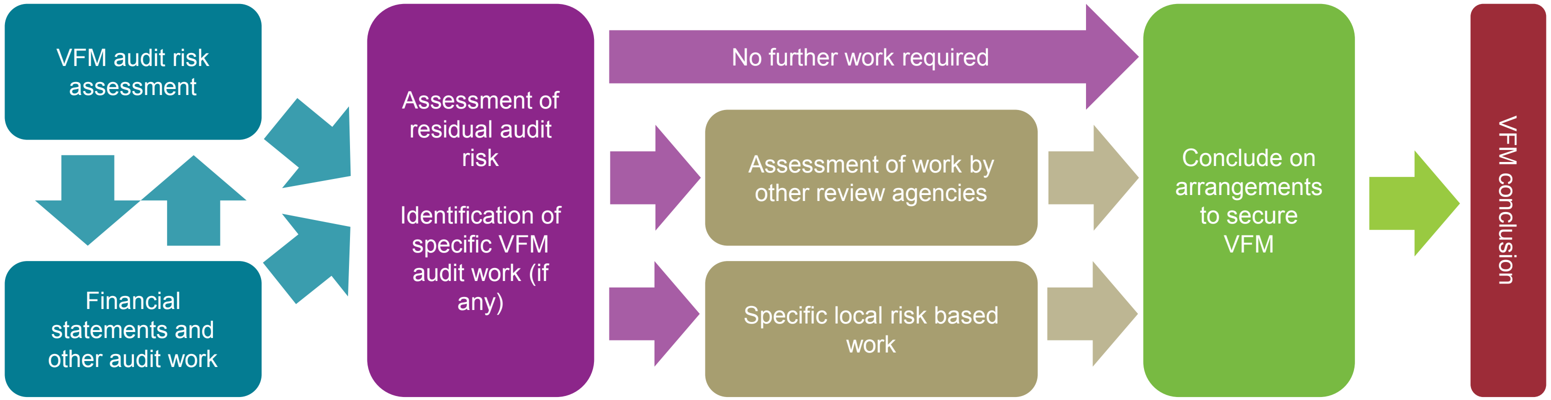
Section five

VFM audit approach (continued)

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

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



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*. In doing so we consider: ■ the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ information from the Audit Commission's VFM profile tool and financial ratios tool; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of other inspectorates and review agencies.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

VFM audit approach (continued)

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

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities. We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.
Assessment of residual audit risk	It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria. Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics. To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion. At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.
Identification of specific VFM audit work	If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including: ■ considering the results of work by the Authority, inspectorates and other review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

VFM audit approach (continued)

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We have completed our initial risk assessment and have not identified any risks to our VFM conclusion at this stage. We will update our assessment at year end.

We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as: ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.
Concluding on VFM arrangements	At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.
Reporting	We have completed our initial VFM risk assessment and have not identified any key issues. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260. We will report on the results of the VFM audit through our *ISA 260 Report*. This will summarise any specific matters arising, and the basis for our overall conclusion. If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake. The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Audit deliverables

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agreed each report with the Authority's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures.	**April 2014**
Control evaluation and Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	■ Details control and process issues. ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements.	**August/ September 2014**
Completion		
Auditor's Report	■ Provides an opinion on your accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	**September 2014**
Whole of Government Accounts	■ Provide our opinion on the Authority's WGA pack submission.	**September 2014**
Annual Audit Letter	■ Summarises the outcomes and the key issues arising from our audit work for the year.	**November 2014**

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Audit timeline

We will be in continuous dialogue with you throughout the audit.

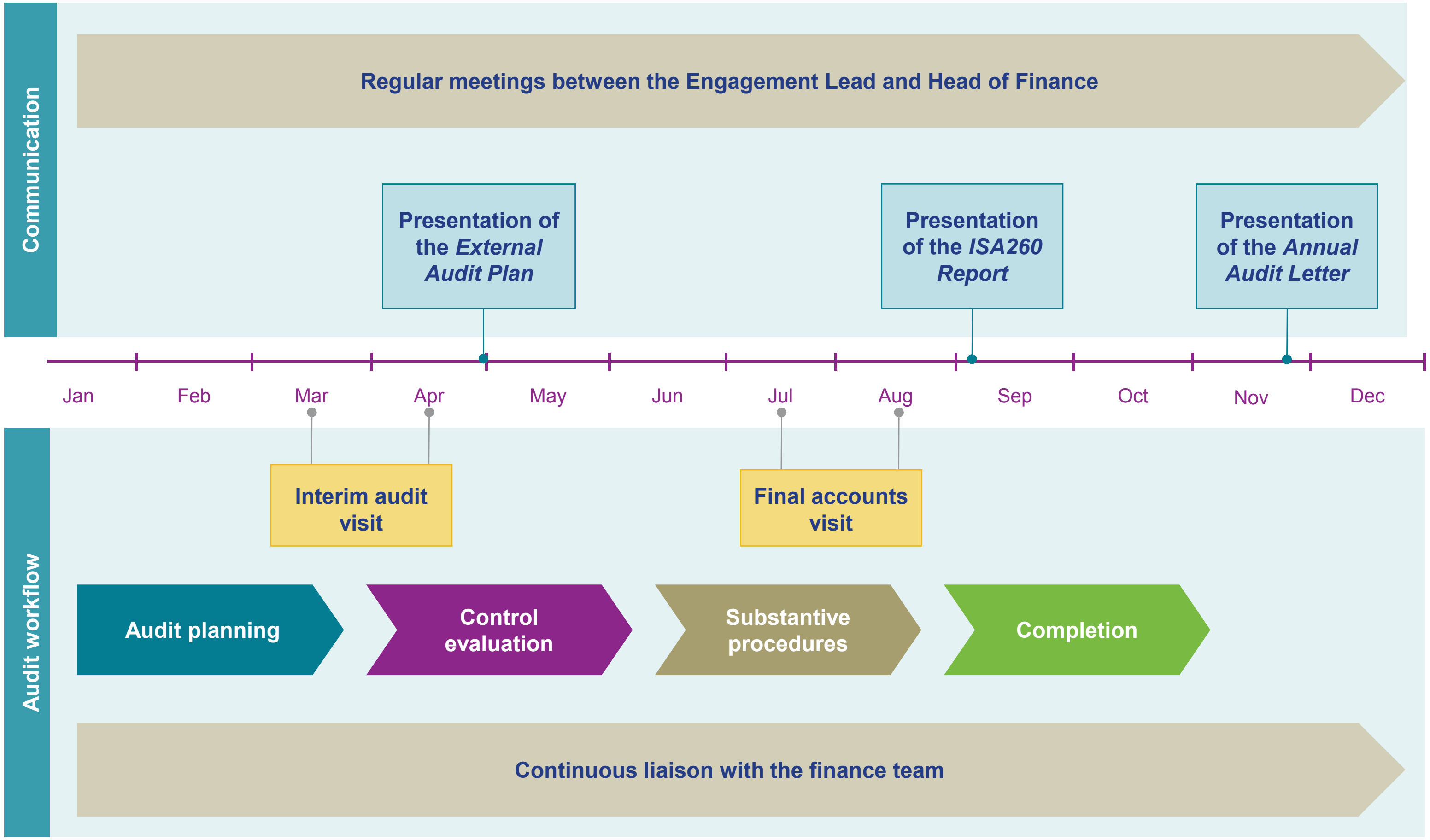
Key formal interactions with the Governance and Audit Committee are:

- April – External Audit Plan;
- September – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team throughout the year.

Our main work on site will be our:

- Interim audit visits during March.
- Final accounts audit during July and August.



© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Audit fee

The fee for the 2013/14 audit of the Authority is £127,800. The fee has not changed from that set out in our *Audit Fee Letter 2013/14* issued in April 2013.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2013/14* presented to you in April 2013 first set out our fees for the 2013/14 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned audit fee for 2013/14 is **£127,800**. This is the same as the final fee for the 2012/13 audit.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2013/14* within your 2013/14 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;
  - requested information will be provided within the agreed timescales;
  - prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Head of Finance.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Appendix 1: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

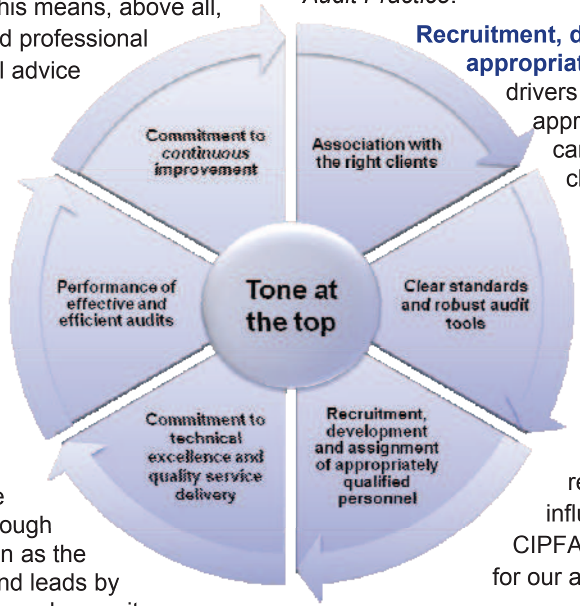
This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.



We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Ian Pennington as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgement and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality).

The latest Annual Regulatory Compliance and Quality Report (issued June 2013) showed that we performed highly against the Audit Commission's criteria. We were one of only two firms to receive a combined audit quality and regulatory compliance rating of green for 2012/13.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

KPMG

cutting through complexity™

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).

KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2013/14

West Berkshire Council

DRAFT: 1 September 2014

Contents

The contacts at KPMG in connection with this report are:

Ian Pennington
Director

Tel: 029 2046 8087
ian.pennington@kpmg.co.uk

Jo Lees
Senior Manager

Tel: 020 7311 1367
joanne.lees@kpmg.co.uk

Hannah Collins
Assistant Manager

Tel: 020 7694 8868
hannah.collins@kpmg.co.uk

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 Ian Pennington, 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

Page 25

Scope of this report

This report summarises the key findings arising from:

- our audit work at West Berkshire Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to the Authority in April 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during February 2014 (interim audit) and July and August 2014 (year end audit).

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

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

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

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Page 26

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding, subject to the amendments that we have discussed with you.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund. We have raised a low priority recommendation, included in Appendix 1.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately.
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems.
Completion	At the date of this report our audit of the financial statements is substantially complete. 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 and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Proposed opinion and audit differences

We have identified no issues in the course of the audit of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding, subject to the amendments that we have discussed with you

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Governance and Audit Committee on 1September 2014.

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.

The final materiality level for this year's audit of the Authority's financial statements was set at £4.875 million. Audit differences below £0.25 million are not considered significant.

We did not identify any material misstatements. 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 2013/14 ('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; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

We have also recommended that greater detail is included in the AGS in relation to the Authority's significant risks. In the draft accounts, the statement does not disclose any significant risks. We consider, from a review of the strategic risk register and our cumulative knowledge of the Authority, that disclosure should be made about the workforce resilience of the organisation, and in particular issues in relation to recruitment and retention and the positive steps that the Authority has taken to address this in year. A further potentially significant risk to the Authority in the future is the Care Bill, and consideration should be given to providing an early warning of this, and its impacts, in the AGS.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Accounts production and audit process

The Authority maintained the quality of the accounts and the supporting working papers.

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

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

Page 28

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant 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	We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2014. However, the Whole of Government Accounts (WGA) return was not received until 24 July 2014, which was after the national deadline of 15 July 2014.
Quality of supporting working papers	The quality of working papers provided met the standards required.
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time. In some cases, however, we experienced delays, specifically where we were waiting for access to the general ledger.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

We raised one medium priority recommendation that the Authority should obtain a fair value valuation of the PFI waste facility at Padworth. We also raised one low priority recommendation.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13*.

Additional findings in respect of key financial systems

We have raised an issue for consideration in relation to the resilience of the financial systems. The current version of Agresso (the general ledger) that the Authority is using will no longer be supported by the supplier from 2015/16. There have been delays in the Authority's implementation of the Planner software which is required before it is possible to upgrade to the newer version of Agresso. We understand that plans are in place to fully implement Planner and the Agresso upgrade in September 2014.

A further issue has been raised during our work in respect of the resilience of the Finance Team. We have noted that some team members have very specific roles and experience and that this has led to some roles becoming very niche. This in turn has led to problems when staff leave or are absent as other members of the team can not cover their role without investing significant time. The senior members of the Finance Team are currently considering how this can be addressed to avoid similar problems in the future.

We have also raised one low priority recommendation, included in Appendix 1.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Control environment

The Authority's organisation control environment is effective, and controls over the key financial systems are sound.

During February 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

Whilst we found that your organisational control environment is effective overall, we have noted some areas for further consideration in the governance and risk management processes. As part of our work in 2014/15, we will undertake a detailed assessment of governance and risk management.

Review of Internal Audit

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them.

We did not identify any significant issues with internal audit's work

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on our own work on controls over the year end process, the controls over the financial systems are sound.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

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.

Page 30

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 2014, 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 2 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 for presentation to the Governance and Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

VFM conclusion

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.

Page 31

Background

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.

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

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

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	✓

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

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 at our interim audit.

Page 32

Priority rating for recommendations		
❶ ***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.	❷ ***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.	❸ ***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	❷	**Governance procedures** It is important for the Council to ensure both itself and the Governance and Audit Committee that the Governance processes are sufficiently robust. Although we have not identified significant weaknesses within governance, the Council has not revisited the procedures in recent times to ensure that they remain fit for purpose given the organisational change which has occurred over the past years. One example of this, is that the corporate risk register is owned by Internal Audit, as opposed to a senior officer within the Council; whereas it is good practice to have a level of independence between the Internal Audit role and the role of risk management. We recommend that the Council revisit the governance procedures to make sure that they remain fit for purpose within the current operating environment of the business. A report should be presented to the Governance and Audit Committee once this review has taken place.	

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Appendix 1: Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	3	**Cut off processes** We identified two isolated immaterial errors within our cut off testing. One of these items related to an invoice which was raised after the year end which Finance were not notified of, and the other related to the Berkshire Records Office. It would appear on initial investigation that the Berkshire Records Office insurance invoices have not been raised to recharge Reading Borough Council for the insurance of the archives. We recommend that the Council revisits the processes around cut off, and procedures are put in place to remind all directorates that where large invoices are raised at or around year end (i.e. over £1,500) that Finance are notified of these as standard in order that the appropriate accounting entries can be made. We also recommend that a fuller investigation is carried out into the invoicing of insurance for the Berkshire Records Office (for both the building and the archive) to check that all agreed costs have been recharged to Reading Borough Council.	

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Appendix 2: 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. We do this in our *Annual Audit Letter*.

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 Engagement Lead 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.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

Appendix 2: 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 2014, 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.

© 2014 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. This document is confidential and its circulation and use are restricted. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative, a Swiss entity.

cutting through complexity™

© 2014 KPMG LLP, a UK public limited partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).

KPMG LLP
Audit
Canary Wharf (38th Floor)
1 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 29 2046 8087
Fax +44 (0) 20 7311 3311
DX 38050 Blackfriars
Ian.pennington@kpmg.co.uk

Andy Walker
Head of Finance
West Berkshire County Council
Council Offices
Market Street
Newbury
RG14 5LD

Your ref

Our ref WBC/ Mgt. Representation letter 201314

20 August 2014

Dear Andy

Management Representations for West Berkshire Council for the year ended 31 March 2014

We are required by Auditing Standards to obtain appropriate representations from Management before our audit report is issued. In a Local Government context we believe it is appropriate for these representations to be discussed and agreed by the Governance and Audit Committee. The actual representation letter should be signed by an appropriate representative (usually the Head of Finance or Chief Executive) on behalf of the Authority.

We have attached an example representation letter at Annex 1. Where you feel it would be helpful you may wish to adapt the wording of the standard letter.

Related parties

ISA 550 (UK&I) *'Related Parties'* requires auditors to obtain written representations from the Authority concerning the completeness of information provided regarding the related party disclosures in the financial statements. Written representations should include confirmation that all material related party transactions have been properly recorded and disclosed in the financial statements and that Management is not aware of any additional matters that should be disclosed.

Laws and Regulations

ISA 250 (UK&I) *'Consideration of Laws and Regulations in an Audit of Financial Statements'* requires auditors to obtain representations that the Authority has disclosed all known or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements. Where applicable, the written representation should include the actual or contingent consequences which may arise from non-compliance.

Fair value measurements and disclosures

ISA 545 (UK&I) '*Auditing Fair Value Measurements and Disclosures*' requires auditors to obtain written representations from management regarding the reasonableness of significant

KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Registered in England No OC301540
Registered office: 8 Salisbury Square, London EC4Y 8BB

assumptions used where those assumptions are relevant to fair value measurements or disclosures. ISA 545 recognises that many public bodies have adopted fair value as the basis of valuation for many classes of the assets and liabilities that they hold, or for disclosures of items in the financial statements. When fair value measurements and disclosures are material to the financial statements, the auditor should obtain sufficient appropriate audit evidence that such measurements and disclosures are in accordance with the entity's applicable financial reporting framework.

Going concern

ISA 570 (UK&I) '*Going Concern'* places emphasis on the Authority's responsibility for assessing going concern and disclosing the reasons for preparation of financial statements on a going concern basis. Where events or conditions have been identified which may cast significant doubt on an entity's ability to continue as a going concern we are required to seek written representations from Management regarding its plans for future action. In addition we are required to consider the need for written confirmations of representations from those charged with governance regarding their assessment that the entity is a going concern and any relevant disclosures in the financial statements.

Unadjusted audit differences

ISA 260 (UK&I) *'Communication of Audit Matters to Those Charged with Governance'* requires us to seek representations that the Authority believes the effects of uncorrected misstatements identified by the auditor during the audit are immaterial, both individually and in aggregate, to the financial statements taken as a whole. There are no unadjusted audit differences.

Fraud

ISA 240 (UK&I) *'The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements'* requires us to seek representations that the Authority acknowledges its responsibility to maintain an effective system of internal control and that all known frauds, suspected frauds, or risks of fraud have been disclosed to us during the course of our audit.

Subsequent events and contingent liabilities

These representations cover significant events that may have occurred since the balance sheet date that may require additional adjustment or disclosure, as well as the completeness of contingent liabilities disclosed in the financial statements.

We have attached an example letter of representation, see annex 1, which you may find helpful. Please note that this is not the only evidence we obtain in relation to these matters. If you feel that you cannot make the representations suggested in the example letter we will take this into account in determining the level of audit risk and the scope of our audit work.

Please contact us if you have any queries about the above or foresee any difficulties providing us with the representations sought in this letter.

Yours sincerely

Ian Pennington
Director
KPMG LLP

Annex 1:Example Management Representations Letter

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 2014, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and 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:

   i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

   ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

   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 IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter. [ISA (UK&I) 450.14]

Information provided

5. 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.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i) 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.

   ii) 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

      b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, 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.

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.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. 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. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. 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 defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    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;
        - funded or unfunded; and
        - approved or unapproved,
        -

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

    This letter was tabled and agreed at the meeting of the Governance and Audit Committee on 1 September 2014

Yours faithfully

Andy Walker,
Head of Finance

Appendix to the Representation Letter of West Berkshire Council: Definitions

Financial Statements

IAS 1.10 states that "a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.".

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

26th August 2014

KPMG LLP
Canary Wharf (38th Floor)
1 Canada Square
London
E14 5GL
United Kingdom

West Berkshire
COUNCIL

Finance Service
Council Offices
Market Street Newbury
Berkshire RG14 5LD

Our Ref: apw/
Your Ref:

Please ask for: Andy Walker
Direct Line: (01635) 519433
e-mail: awalker@westberks.gov.uk

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 2014, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and 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:

   i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

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 IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter. [ISA (UK&I) 450.14]

Information provided

5. 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.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i) 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.
   ii) 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

      b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, 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.

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.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. 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. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that: The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. 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 defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    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;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter is to be tabled and agreed at the meeting of the Governance and Audit Committee on 1 September 2014

Yours faithfully

Andy Walker,
Head of Finance

Appendix to the Representation Letter of West Berkshire Council: Definitions

Financial Statements

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.”.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.
IAS 1.7 and IAS 8.5 state that:

> “Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.
Prior period errors are omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi. The entity is controlled, or jointly controlled by a person identified in (a).
   vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

This page is intentionally left blank

Title of Report:	**West Berkshire Council Financial Statements 2013-14**
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	1st September 2014
Forward Plan Ref:	n/a

Purpose of Report: **To provide Members with the final copy of the Council's Financial Statements.**

Recommended Action: **To approve the Financial Statements and consider KPMG's Governance Report.**

Reason for decision to be taken: Accounting and Audit Regulations

Other options considered: None

Key background documentation: Supporting working papers to the Financial Statements

The proposals will also help achieve the following Council Strategy principles:

☒ **CSP6 - Living within our means**

The proposals contained in this report will help to achieve the above Council Strategy priorities and principles by:
Ensuring the budget policy framework is adhered to.

Portfolio Member Details	
Name & Telephone No.:	Councillor Alan Law - Tel (01491) 873614
E-mail Address:	alaw@westberks.gov.uk
Date Portfolio Member agreed report:	

Contact Officer Details	
Name:	Andy Walker
Job Title:	Head of Finance (s151 officer)
Tel. No.:	01635 519433
E-mail Address:	awalker@westberks.gov.uk

Implications

Policy: n/a

Financial: n/a

Personnel: n/a

Legal/Procurement: n/a

Property: n/a

Risk Management: n/a

Equalities Impact Assessment: Equality impact assessments will be carried out on key policies and activities.

Corporate Board's Recommendation:

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	☐
Report is to note only	☐

Executive Summary

1 Introduction

1.1 The following document is the final, post external audit, copy of the Council's Financial Statements. Members are required to approve, or not, these Financial Statements for the audit to be finalised and the accounts to be closed for the 2013-14 financial year.

1.2 The s151 officer approved the draft Financial Statements in June 2014 and these have been published online. KPMG have completed their audit over the Summer, and have issued an unqualified opinion of the Financial Statements.

1.3 The Council, delegated to the Governance and Audit Committee, is required to approve the Financial Statements by the 30th September. The Council is bringing this report to members of the committee earlier than the statutory deadline due to giving KPMG sufficient working papers on time, and because KPMG have managed to finalise the audit in good time.

2 Proposals

2.1 Members are asked to approve the Financial Statements.

3 Equalities Impact Assessment Outcomes

3.1 There is no impact.

4 Conclusion

4.1 The audit of the Financial Statements has progressed well, and the Council has been able to bring a final, and audited, copy of the Financial Statements to Governance and Audit Committee four weeks in advance of the statutory deadline of 30th September.

Appendices

Appendix A – Equality Impact Assessment – Stage 1
Appendix B – Financial Statement of Accounts 2013/14

Consultees

Local Stakeholders: N/a

Officers Consulted: N/a

Trade Union: N/a

APPENDIX A

Equality Impact Assessment – Stage One

Name of item being assessed:	Financial Statements 2013-14
Version and release date of item (if applicable):	v1.0
Owner of item being assessed:	Lesley Flannigan
Name of assessor:	Melanie Ellis
Date of assessment:	13.8.2014

1. What are the main aims of the item?
To detail the Council's Financial Statements in accordance with accounting guidance and legislation.

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 reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)

Group Affected	What might be the effect?	Information to support this.

Further comments relating to the item: none

3.	**Result** (please tick by clicking on relevant box)
☐	**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

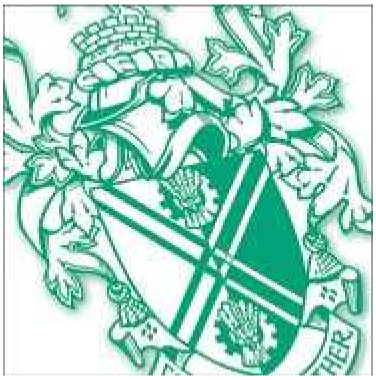
For items requiring a Stage 2 equality impact assessment, begin the planning of this now, referring to the equality impact assessment guidance and Stage 2 template.

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

Name: M Ellis **Date**: 13.8.2014

This page is intentionally left blank

Financial Statement of Accounts 2013/14



Third draft v3.28
20.08.14

West Berkshire
COUNCIL

Contents

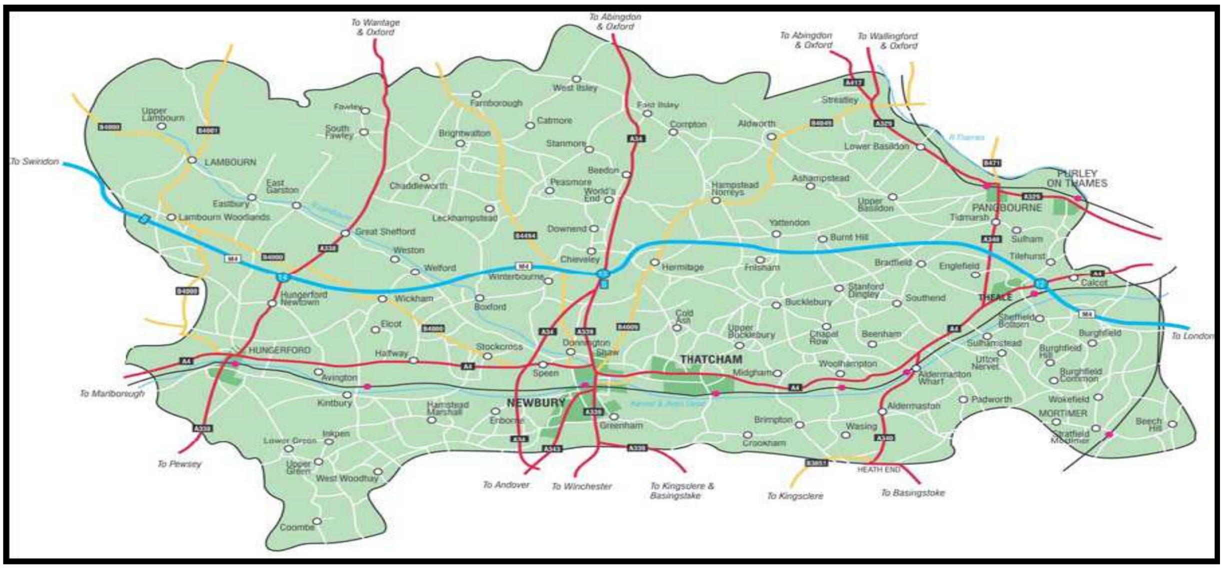
Introduction to West Berkshire

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 good. 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.



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

Explanatory Foreword

Introduction

This foreword provides a guide to the most significant matters reported in the financial statements and an explanation of West Berkshire Council's financial position.

The Accounts and Audit (England) Regulations 2011 require the Council to produce a Statement of Accounts for each financial year giving certain specified information. The foreword accompanies the accounts and sets out to explain the financial details contained within them.

To assist readers, a glossary of accounting terms is included on pages 72 to 75.

This foreword is followed by:

- **The Annual Governance Statement** which explains the arrangements the Council has for the governance of its affairs and for ensuring that there is a sound system of internal control;
- **The Statement of Responsibilities** which sets out the respective responsibilities of the Council and the Head of Finance.

The Statement of Accounts incorporates the following:

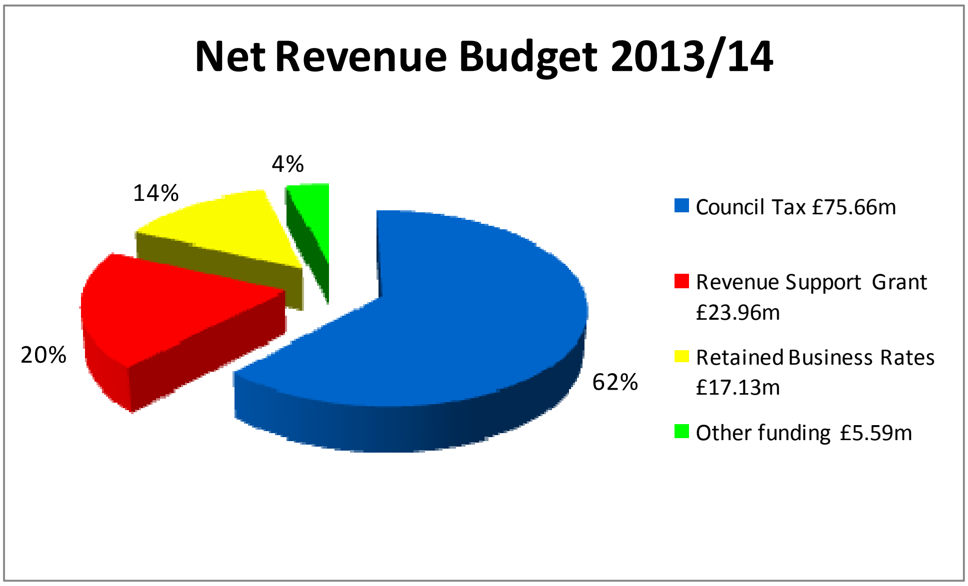
- **The Comprehensive Income & Expenditure Account** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from Council Tax. Councils raise Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The Council Tax position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (total assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 are those that the Council 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 section 'Adjustments between accounting basis and funding basis under regulations'.
- **The Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
- **The Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are

funded by way of Council Tax and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **The Collection Fund Income and Expenditure Account** which records the Council Tax and Business Rates transactions for the financial year and how they are subsequently distributed.

Revenue Expenditure 2013/14

The Council set a net revenue budget for the 2013/14 financial year of £122.34m. The expenditure was to be met by Government Grant (Revenue Support Grant), Retained Business Rates, Council Tax and other amounts including various smaller grants, as shown in the following chart.



The following table compares the approved budget for the year with the actual outturn for 2013/14. This table reflects the Council's structure during 2013/14 which is the basis for internal management of performance against budgets.

2013/14	Approved Budget	Final Budget after agreed carry forwards	Outturn	Variance to Final Budget
Financial year ending 31 March 2014	**£000**	**£000**	**£000**	**£000**
Communities Directorate	68,729	68,240	68,246	6
Environment Directorate	34,090	32,729	32,632	(97)
Resources Directorate	12,735	12,803	12,139	(664)
Levies and Interest	6,781	8,563	8,869	306
TOTALS	122,335	122,335	121,886	(449)

The overall outturn was an under spend of £449k, which represents 0.37% of the net revenue budget. This under spend has been used to contribute to the Medium Term

Financial Volatility reserve, which forms part of the General Fund. Overall movement on the General Fund was therefore an increase of £449k.

In contrast to the table above, the information presented in the Comprehensive Income and Expenditure Statement, reflects the categories of expenditure specified in the Chartered Institute of Public Finance and Accountancy's Service Reporting Code of Practice for Local Authorities (SeRCOP). A reconciliation between the two is shown in Table 66.

Included in the Net cost of services of the Comprehensive Income and Expenditure Statement, is the removal of one Secondary school and one Junior school which became academies in the 2013/14 financial year. The disposal of these two schools accounted for £27.7m being removed from the asset register.

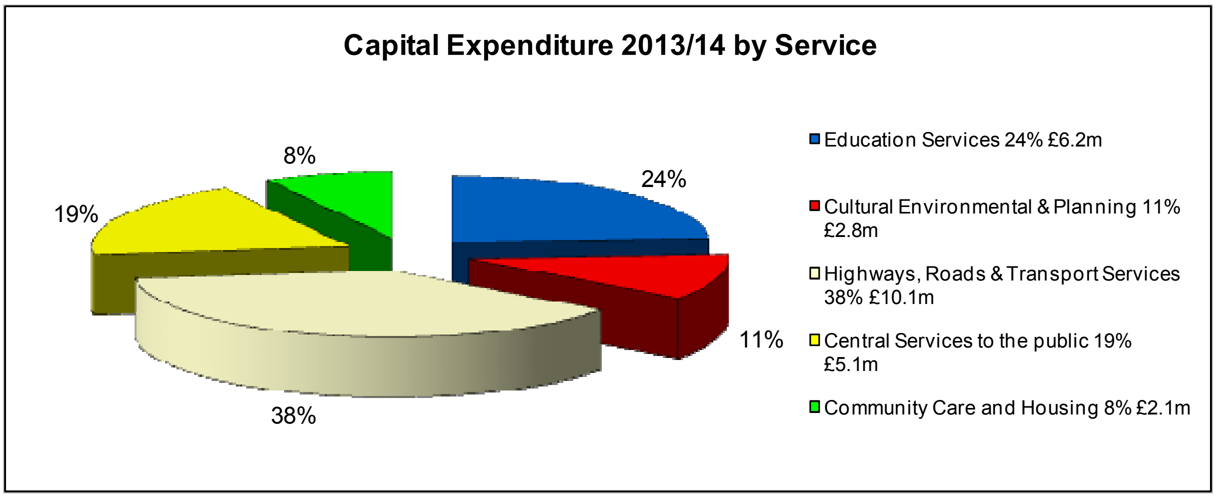
The Collection Fund deficit was over £1,410k for the 2013/14 financial year (Council Tax £25k and Business Rates £1,385k). The deficit is recovered as part of the Council Tax and Business Rates setting process during the following financial year.

The pension fund deficit is currently £184m. This amount is written out through the accounts so has no meaningful impact on the Council's current operation, though it clearly reduces the Council's 'net worth' on the Balance Sheet. The employer's contributions to the pension scheme remained fixed into 2013/14 at 15.4%.

The Council, in 2013/14 took over responsibility for Public Health. The 2013/14 financial year did not see any other significant changes to Local Government's statutory functions.

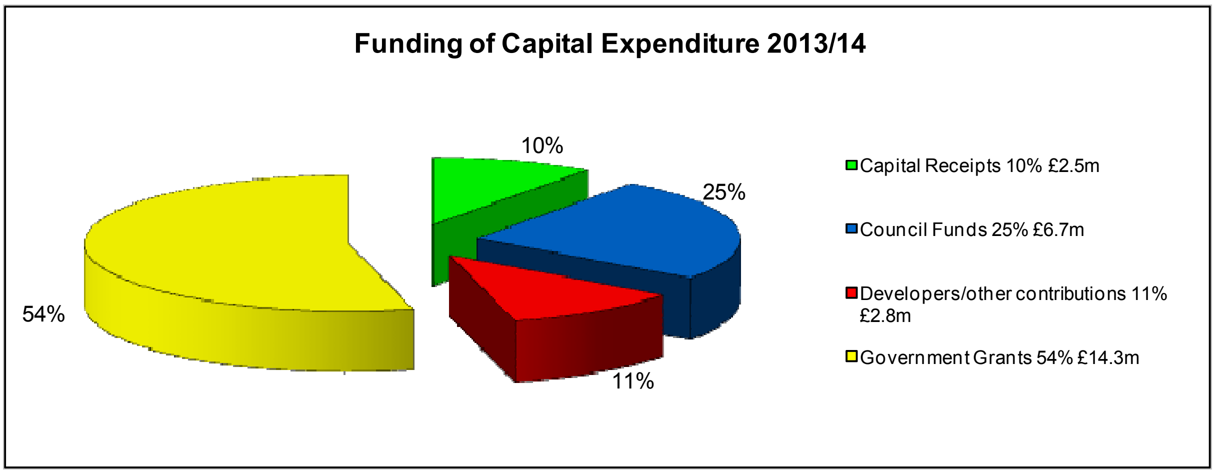
Capital Expenditure 2013/14

The Council needs to invest a certain amount of capital each year to make sure that its assets (e.g. school buildings, roads, leisure centres) remain fit for purpose and in a good state of repair. The chart below shows the areas on which £26.3m capital was spent in 2013/14.



Wherever possible the investment in capital is funded from government grants, developers' contributions or through the sale of assets which the Council no longer needs. However, when there is not enough funding from these sources the Council needs to take out long term loans to help fund its capital investment.

The chart below shows how the Council's gross capital expenditure of £26.3m was funded. This shows that the majority of the Council's capital investment was funded from central government grants and the Council's own funds.



The Council took out new long term loans of £16.4m to fund capital expenditure during 2013/14. The Council also needs to take out short terms loans to cover its cash flow needs. Short term loans are normally taken out for periods of less than one month and the cost of this borrowing is more than offset by the interest earned by investment of the Council's surplus cash. The Council had short term loans of £14m outstanding at the 31 March 2014. Together with £11.9m principal repayments due to be made in the financial year 2014/15 on existing longer term loans, this makes a total short term borrowing balance of £25.9m.

The Council maintains a revenue budget of approximately £8m for the provision for repayment of borrowings to fund the current and previous capital programmes. This amount will grow as a percentage of the Council's budget in the coming years, though at a relatively slow level, due to the reduction in the Council funded element of the capital strategy.

One outcome of the national economic position is low rates of borrowing from the PWLB. This has enabled the Council to borrow monies for the capital strategy at a very low rate compared to recent years; the other side of this is that return on short term investments is also comparatively low. As this Council does not hold any long term investments, this is not of great significance compared to other Councils which hold larger investments and cash balances.

Conclusion

The Council has managed to achieve a small under spend and maintain levels of reserves to help reduce known pressures for the 2014/15 financial year. This has been achieved through the effective management of its finances over the past twelve months against a backdrop of continued local and national financial volatility.

Further information

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

Andy Walker, Head of Finance
West Berkshire Council
Market Street, Newbury, RG14 5LD
AWalker@westberks.gov.uk

(01635) 519 433

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 of the Accounts and Audit (England) Regulations 2011.

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 2014 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

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

- Identifying and communicating West Berkshire Council's Strategy that sets out its purpose and intended outcomes for citizens and service users;
- Reviewing West Berkshire Council's Strategy and its implications for West Berkshire Council's governance arrangements;

- Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's 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;
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)";
- The Governance and 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 a regular 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 processes have 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; and
- The work of the Overview and Scrutiny Management 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 Significant governance issues identified in the AGS for 2012/13

5.1 The following is an outline of the significant governance issues that have been identified in preparing the 2012/13 AGS.

- Judicial Review remains a risk.

5.2 The following measures were implemented during 2013/14:

- The Head of Strategic Support reviewed the revised arrangements for conducting equalities impact assessments in relation to proposed changes in service delivery, to ensure they are effective.

6 Significant Governance Issues identified in 2013/14

6.1 No significant governance issues were identified during 2013/14.

Signed:

Nick Carter – Chief Executive

Gordon Lundie – Leader of the Council

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

We have audited the financial statements of West Berkshire Council for the year ended 31 March 2014 on pages 14 to 17 and 69. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Forward to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 7 to 9 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on West Berkshire Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, West Berkshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of West Berkshire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Ian Pennington
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff Bay
CF10 4AX

[30] September 2014

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 responsibility for the administration of those affairs. In this Authority, for the purposes of this requirement for the 2013/14 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's 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 31 March 2014).

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 Code.

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 Statement of Accounts present a true and fair view of the financial position of West Berkshire Council as at 31 March 2014.

Andy Walker
Head of Finance 30 September 2014

Comprehensive Income and Expenditure Statement

2012/13 Expenditure £000	2012/13 Income £000	2012/13 Net £000	Comprehensive Income & Expenditure Statement Table 07	Note	2013/14 Expenditure £000	2013/14 Income £000	2013/14 Net £000
			Net Expenditure on Continuing Services				
52,747	(9,653)	43,094	Adult social care		54,124	(8,534)	45,590
17,567	(10,630)	6,937	Central Services		10,333	(2,155)	8,178
9,294	(833)	8,461	Cultural & Related Services		10,148	(1,033)	9,115
25,241	(4,367)	20,874	Environmental & Regulatory Services		32,340	(3,719)	28,621
5,433	(1,604)	3,829	Planning Services		5,343	(1,751)	3,592
153,091	(109,082)	44,009	Education and Children's Services		141,654	(102,693)	38,961
24,935	(4,069)	20,866	Highways and Transport Services		21,453	(4,752)	16,701
50,812	(43,267)	7,545	Housing Services		48,680	(41,793)	6,887
0	0	0	Public Health		4,463	(4,458)	5
15,588	(805)	14,783	Non-Distributed costs	8a	946	(57)	889
354,708	**(184,310)**	**170,398**	**Net Cost of Services**	**8b**	**329,484**	**(170,945)**	**158,539**
		15,810	(Gain) / loss on the disposal of non current assets				26,225
		3,475	Precepts to Parishes	8e			3,611
		125	Levies Payable				141
		(99)	(Surpluses)/deficits on trading undertakings	6a			87
		19,311	**Other Operating Expenditure**				**30,064**
		(505)	Interest Receivable	12a			(449)
		(271)	(Surpluses)/deficits on investment properties	16a			(369)
		5,546	Pension Interest & Expected return on Assets	9c			9,430
		5,497	Interest Payable and similar charges	12a			4,920
		10,267	**Financing and Investment Income and Expenditure**				**13,532**
		199,976	**Net Operating Expenditure**				**202,135**
		(82,179)	Income from Council Tax				(78,243)
		(30,007)	Income from Business Rates				(16,589)
		(14,636)	Non Ring Fenced Government Grants				(30,418)
		(14,425)	Capital Grants and Contributions	(26)			(17,174)
		(141,247)	**Taxation and Non Specific Grant Income**				**(142,424)**
		58,729	**Surplus or Deficit on Provision of Services**				**59,711**
		(36,974)	(Surplus) or deficit on revaluation of Fixed Assets	25b			(23,716)
		(1,949)	Actuarial (gains) / losses on pension assets / liabilities				9,088
		(38,923)	**Other Comprehensive Income & Expenditure**				**(14,628)**
		19,806	**Total Comprehensive Income & Expenditure**				**45,083**

Balance Sheet

2012/13 £000	Balance Sheet Table 08	Note	2013/14 £000	2013/14 £000
	Property, plant and Equipment			
210,802	Buildings	15a	197,593	
95,032	Land	15a	81,380	
132,769	Other	15a	135,803	
197	Assets Under Construction	15a	1,484	
438,800				416,260
8,995	Investment properties	16b		9,277
				425,537
66	Long Term Debtors	19b		48
447,861	**TOTAL LONG TERM ASSETS**			**425,585**
	Current Assets			
0	Short term investments	12a	4,000	
30	Inventories	18a	35	
13,846	Short term debtors	19a	18,541	
96	Assets held for sale	15a	4,993	
13,972	**TOTAL CURRENT ASSETS**			27,569
461,833	**TOTAL ASSETS**			**453,154**
	Current Liabilities			
(2,006)	Cash and cash equivalents	(20)	(183)	
(11,381)	Short term borrowing	12a	(25,891)	
(34,915)	Short term creditors	(21)	(32,593)	
(48,302)	**TOTAL CURRENT LIABILITIES**			(58,667)
413,531	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**394,487**
	Long term Liabilities			
(1,467)	Provisions	(22)	(597)	
(478)	Contributions deferred account		(478)	
(161,896)	Pension liability	9e	(184,063)	
(84,977)	Borrowings PWLB	13c	(98,000)	
(24,286)	Other long term liabilities	17b	(16,005)	
(273,104)				(299,143)
140,427	**TOTAL ASSETS LESS LIABILITIES**			**95,344**
8,001	General Fund		8,451	
2,061	Working Balances		2,360	
12,586	Earmarked Reserves		12,301	
2	Deferred Credit		0	
2,437	Usable Capital Receipt		0	
20,314	Capital Reserves		18,884	
45,401	**Usable Reserves**	(24)		41,996
95,026	**Unusable reserves**	(25)		53,348
140,427	**TOTAL RESERVES**			**95,344**

Movement in Reserves Statement

Movement in Reserves Statement 2013/14 Table 09	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Deferred Credit £000	Working Balances £000	Capital Reserves £000	Reserves Usable £000	Reserves Unusable £000	Total Authority Reserves £000
Balance as at 31 March 2013	**8,001**	**12,586**	**2,437**	**2**	**2,061**	**20,314**	**45,401**	**95,026**	**140,427**
Surplus or (deficit) on provision of services	(59,711)	0	0	0	0	0	(59,711)	0	(59,711)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	14,628	14,628
Comprehensive Expenditure & Income	(59,711)	0	0	0	0	0	(59,711)	14,628	(45,083)
Adjustment required due to statutory accounting policies	60,175	0	(2,437)	(2)	0	(1,430)	56,306	(56,306)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	464	0	(2,437)	(2)	0	(1,430)	(3,405)	(41,678)	(45,083)
Transfers to / (from) Earmarked Reserves	(14)	(285)	0	0	299	0	0	0	0
Increase / (Decrease) in Year	450	(285)	(2,437)	(2)	299	(1,430)	(3,405)	(41,678)	(45,083)
Balance as at 31 March 2014	**8,451**	**12,301**	**0**	**0**	**2,360**	**18,884**	**41,996**	**53,348**	**95,344**

Movement in Reserves Statement 2012/13	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Deferred Credit £000	Working Balances £000	Capital Reserves £000	Reserves Usable £000	Reserves Unusable £000	Total Authority Reserves £000
Balance as at 31 March 2012	**7,780**	**11,721**	**0**	**8**	**1,378**	**28,928**	**49,815**	**110,418**	**160,233**
Surplus or (deficit) on provision of services	(58,729)	0	0	0	0	0	(58,729)	0	(58,729)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	38,923	38,923
Comprehensive Expenditure & Income	(58,729)	0	0	0	0	0	(58,729)	38,923	(19,806)
Adjustment required due to statutory accounting policies	60,498	0	2,437	(6)	0	(8,614)	54,315	(54,315)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	1,769	0	2,437	(6)	0	(8,614)	(4,414)	(15,392)	(19,806)
Transfers to / (from) Earmarked Reserves	(1,548)	865	0	0	683	0	0	0	0
Increase / (Decrease) in Year	221	865	2,437	(6)	683	(8,614)	(4,414)	(15,392)	(19,806)
Balance as at 31 March 2013	**8,001**	**12,586**	**2,437**	**2**	**2,061**	**20,314**	**45,401**	**95,026**	**140,427**

Cash Flow Statement

2012/13 £000	Cash Flow Statement Table 10	Note	2013/14 £000	2013/14 £000
	Operating Activities			
105,870	Taxation		94,832	
188,091	Grants		196,007	
704	Rents		906	
19,250	Sale of goods and rendering of service		748	
505	Interest received		449	
431	Other receipts from operating acitvities		442	
314,851	**Cash inflows generated from operating activities**			293,384
(104,457)	Cash paid to and on behalf of employees		(101,830)	
(43,108)	Housing benefit paid out		(43,108)	
(3,485)	Precepts paid		(3,360)	
(121,129)	Cash paid to suppliers of goods and services		(97,893)	
(5,497)	Interest paid		(4,920)	
(20,011)	Other payments for operating activities		(19,734)	
(297,687)	**cash outflows from operating activities**			(270,845)
17,164	**Net cashflows from operating activities**	**(27)**		22,539
	Investing activities			
(30,981)	Purchase of property plant and equipment		(26,266)	
(27,500)	Purchase of short and long term investments		(66,500)	
(65,572)	Other payments for investing activities		(59,362)	
4,274	Proceeds from sale of PPE and investment properties		2,496	
27,500	Proceeds from the short and long term investments		62,500	
67,700	Other receipts from investing activities		57,881	
(24,579)	**Net cash flows from investing activities**			(29,251)
	Financing activities			
28,460	cash receipts of short and long term borrowing		85,000	
1,161	other receipts from financing activities		252	
(20,460)	repayments of short and long term borrowing		(79,000)	
(2,572)	other payments for financing activities		(1,363)	
6,589	**Net cashflows from financing activities**			4,889
1,353	**Net (increase) / decrease in cash and cash equivalents**			(1,823)
653	**Cash and cash equivalents at the beginning of the reporting period**			2,006
2,006	**Cash and cash equivalents at the end of the reporting period**	**(20)**		183

INDEX

(1) Statement of Accounting Policies

I. General principles

The purpose of the Statement of Accounting Policies is to explain the basis of measurement that has been used in the preparation of the financial statements. The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end 31 March 2014.

The Financial Statements for 2013/14 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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. The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. There are no items in the Balance Sheet at 31 March 2014 for which there is believed to be a significant risk of material adjustment in the forthcoming financial year.

The Council has 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 that necessitate the production of Group Accounts.

II. 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.

III. 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 on the Balance Sheet
- Interest payable on borrowing and receivable on investment is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised in the accounts but cash has not been received nor paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.

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

IV. Cash and Cash Equivalents

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

V. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution. There 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 under 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.

VI. 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.

The Authority 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.

VII. 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.

VIII. Employee Benefits

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance Sheet however the three main changes are as follows:

1. **Expected Return on Assets**
   There has been a change on how pension scheme assets are to be accounted for; now advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

2. **Asset Disclosures**
   IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split out further. (Table 27)

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.

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme is administered by The Royal Borough of Windsor and Maidenhead.

Both schemes provide defined benefits to members (retirement lump sums and pension), earned as employees working 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 is accounted for as a defined benefits scheme:

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

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

- The assets of the Berkshire Pension 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 7 components:
    1) Current service cost – the increase in liabilities as a 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
    2) 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
    3) 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
    4) 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
    5) 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
    6) 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
    7) 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 are applied in the Local Government Pension Scheme.

Redundancy policy: It is the Council's policy to minimise the impact of organisational change on its employees and to redeploy employees whenever possible. Therefore redundancies and redundancy payments only occur when absolutely necessary and in 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.

It is the Council's policy not to offer enhanced pension payments on termination of employment.

IX. 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 Service Reporting Code of Practice (SeRCOP). 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 SeRCOP and accounted for, within the Central Services heading of the Net Cost of Services in the Income and Expenditure Account.

X. 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 re-valued annually.

XI. Heritage Assets

FRS 30, Heritage Assets, has been adopted by the Council. Heritage assets are those assets held by the Authority for cultural, environmental or historical reasons in relation principally to their contribution to knowledge and culture.

XII. Property, Plant and Equipment (PPE)

Only assets with a value of £5k 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 the 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, know as the RICS Red Book.

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 shown in the Balance Sheet under 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, shown at fair value.

Assets included in the Balance Sheet at fair value are re-valued, as a minimum, every five years, except for investment properties which are re-valued annually. From 2007/08 all increases in valuations are matched by credits to the Revaluation Reserve as unrealised gains.

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

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 Comprehensive Income and Expenditure Statement 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 £10k 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 requires the components to be recognised as separate assets. West Berkshire Council componentise assets where components are either 10% of the asset's value or have value of more than £250k.These assets are recognised either at the time of purchase or on revaluation.

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 a valuer, between 10 and 60 years
- Vehicles, plant and equipment - straight line allocation over the life of the asset, mainly 10 years
- IT assets are depreciated over 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.

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 past event, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on de-recognition 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).

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.

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.

XIII. Inventories and Work in Progress

Inventories are shown in the Balance sheet on a cost basis. This is compliant with IAS 2, which recommends valuation at the lower cost or net realisable value.

XIV. Provisions, Contingent Liabilities and Assets

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing 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 (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Assets & Liabilities A contingent asset or contingent liability arises where an event has taken place that gives the Council a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of economic benefits will be required or the amount of the obligation cannot be measured reliably.

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

XV. Carbon Reduction Scheme

The Authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured by the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

XVI. Financial Instruments

The term 'financial instrument' covers both financial assets and liabilities and includes debtors, creditors, the Council's borrowings, PFI liabilities and investment transactions. It broadly covers the instruments used in the treasury management activity of the Council, including the borrowing and lending of funds and the making of investments.

Loans raised by the Council are mainly through the Public Works Loans Board (PWLB). All interest is charged to the Comprehensive Income and Expenditure Statement.

As part of its interest and debt management, on occasion the Council may repay loans before their maturity date; usually receiving a discount or incurring a premium. Such gains and losses on premature repayment of debt are recognised in the Comprehensive Income and Expenditure Statement in the year they occur, unless they meet the modification test in The Code (i.e. the present values of the debt restructured has not changed significantly). Otherwise they are adjusted through the Financial Instruments Adjustment Account (FIAA) in accordance with statutory criteria.

Where PWLB borrowing is repaid and replaced on the same day, gains and losses are amortised using the effective interest rate method provided the modification test criteria set out in The Code are met. For financial assets and liabilities carried at fair value, the fair value has been determined using discounted cash flow analysis. 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.

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 31 March 2014.

Borrowings The loan debt held by Berkshire County Council (BCC) when it was abolished due to local government reorganisation as at the 31 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 West Berkshire 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 1 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.

Investments are shown in the Balance Sheet at cost.

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.

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.

Financial Assets: 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.

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.

Every year, a borrowing limit and annual investment strategy is produced, which is approved by Full Council.

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.

XVII. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are 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.

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

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

Residual Interests: Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value (including 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 payment charged to the revenue.

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

XVIII. 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 operating leases 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.

XIX. 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 and put 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.

XX. 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.

(2) Accounting Standards issued not adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (The Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes to these accounts.

A number of new and revised International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

1. IFRS 10 *Consolidated Financial Statements*
2. IFRS 11 *Joint Arrangements*
3. IFRS 12 *Disclosure of Interests in Other Entities*
4. IAS *27 Separate Financial Statements*
5. IAS 28 *Investments in Associates and Joint Ventures*
6. IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
7. IAS 1 *Presentation of Financial Statements*

Although full adoption will not be required until 1 April 2014, the Council is required to disclose the estimated effect of the changes in these financial statements.

Group Account standards

The first five standards relate to group accounts and consequent have no impact since WBDC is not required to prepare group accounts.

6. IAS 32 *Financial Instruments Presentation*

The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Balance Sheet and therefore no further disclosure is required.

7. IAS 1 Presentation of the Financial Statements

The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on these financial 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 following critical judgement was noted: There is still a degree of uncertainty concerning the future levels of Local Government funding. However the Council does not believe that this uncertainty is sufficient to highlight that the assets of the Council might be impaired as a result of a need to close facilities and reduce the level of service provision.

(4) Prior Year Adjustments

An adjustment has been made as required by IAS19 Accounting Standard - Employee Benefits. Details of which are included with the employee benefits section (VIII) under the statement of accounting policies.

(5) Post Balance Sheet Events

There are no post balance sheet events.

(6) Trading operations

6a 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.

2012/13 Surplus £000	Trading Operations Table 11	2013/14 Expenditure £000	Income £000	Deficit £000
76	External Trading Accounts	1,693	(1,647)	46
(175)	Internal Trading Accounts	5,431	(5,390)	41
(99)	**Net (surplus) / deficit**	**7,124**	**(7,037)**	**87**

6b **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.

Building Control Account Table 12	Chargeable Activities		Non-Chargeable Activities		Total	
	31/03/13 £000	31/03/14 £000	31/03/13 £000	31/03/14 £000	31/03/13 £000	31/03/14 £000
Income						
Building Regulation Charges	517	528	0	0	517	528
Expenditure						
Employees	392	377	130	128	522	505
Supplies & Services	32	33	1	1	33	34
Central and Support Charges	64	61	14	8	78	69
Total Expenditure	**488**	**471**	**145**	**137**	**633**	**608**
Surplus / (Deficit) for year	**29**	**57**	**(145)**	**(137)**	**(116)**	**(80)**

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 above shows the total cost of operating the building regulation's function, divided between chargeable and non-chargeable activities.

(7) Income

7a The Council provides services on behalf of a number of other organisations in West Berkshire for which the cost is recharged.

Agency Services Table 13	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Gross Payroll	1,689	1,760	1,508	2,053
Service Charge	7	6	6	6
After School Clubs	18	17	17	14
Town Council	1	1	1	1
Charities	1	1	1	1

7b 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 within debtors or creditors.

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.

7c Principal grant income

2012/13 £000	Grant Income Table 14	2013/14 £000	
	Credited to taxation and non specific grant income		
582	Revenue Support Grant	7,614	
1,988	Council Tax Freeze Grant	1,983	
0	Council Tax Support Funding	6,241	
0	Lead Local Flood Authority Funding	127	
0	Capitalisation Provision Redistribution Grant	125	
0	Homelessness Prevention Funding	128	
5,989	Early Intervention Grant	4,422	
575	Local Services Support Grant	197	
1,263	NHS Funding Social Care	1,793	
3,175	Learning Disability Health Reform Grant	3,254	
0	Business Support Scheme	50	
846	New Homes Bonus	1,632	
0	Council Tax Transition Grant	170	
0	Education Services Grant	2,524	
0	Community Safety Grant	55	
0	Severe Weather Recovery	49	
218	Local Authority Central Spend Equivalent Grant (LACSEG)	0	***
0	Other	54	
2,374	Section 106 Contributions	5,270	
12,051	Capital Grants	11,904	
29,061	**Total**	**47,592**	
	Credited to services		
93,137	Dedicated Schools Grant	88,896	*
40,532	Housing Benefit Grant	41,185	
0	Public Health	4,352	**
0	Local Authority Central Spend Equivalent Grant (LACSEG)	242	***
9,429	Learning Support Council, Skills & Education Funding Agencies	8,614	
12,779	Other Specific Government Grants	5,125	
155,877	**Total**	**148,414**	

* Includes £170k debtor provision regarding an in year adjustment to funding

** In 213/14 the Local Authority (LA) acquired the Public Health Service from the NHS when the Public Care Trusts were abolished. The LA now has the responsibility for the health improvement and health protection of its population including mandating functions such as: ensuring appropriate access to sexual health services; ensuring NHS commissioners receive the public health advice they need; the National Child Measurement Programme and the NHS Health Check Assessments.

*** Local Authority Central Spend Equivalent Grant (LACSEG) was retained as a central grant in 2012/13 and allocated to a service in 2013/14

7d Other Government grant income

2012/13 £000	Other Government Grants Table 15	2013/14 £000
2,312	Private Finance Initiative	2,312
0	Adoption Reform Grant	412
0	Flood Damage Reimbursement - Bellwin Scheme 2	460
8,086	Council Tax Benefit	87
266	Drug Action	105
121	Education Grants	96
315	Unaccompanied Asylum Seekers	140
233	Youth Offending	228
1,446	Other	1,285
12,779	**Total Other Government Grants**	**5,125**

(8) Expenditure

8a Non distributed costs in the Net Cost of Services of the Comprehensive Income and Expenditure Account are primarily due to impairment costs and a credit for pension curtailments.

8b Net cost of services includes depreciation charges for the use of Property, Plant and Equipment (PPE), impairment costs associated with PPE, REFCUS (Revenue Expenditure Funded from Capital Under Statute) that is capital expenditure on assets that do not belong to the Council, 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.

8c Special expenses

Separate 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	Hungerford Footway Lighting		Kintbury St Mary's Churchyard		Shaw St Mary's Churchyard		Theale Holy Trinity Churchyard	
	31/03/13	31/03/14	31/03/13	31/03/14	31/03/13	31/03/14	31/03/13	31/03/14
Table 16	£000	£000	£000	£000	£000	£000	£000	£000
Opening (surplus) / expense	**(5.5)**	**(1.5)**	**(0.3)**	**(4.5)**	**2.6**	**(0.4)**	**(0.3)**	**(0.2)**
Council Tax Income	0.0	(2.2)	(5.4)	(2.4)	(3.8)	(1.0)	(1.2)	(1.7)
Expenditure	4.0	4.2	1.2	1.2	0.8	0.8	1.3	1.3
Closing (surplus) / expense	**(1.5)**	**0.5**	**(4.5)**	**(5.7)**	**(0.4)**	**(0.6)**	**(0.2)**	**(0.6)**
Appropriation to balances	4.0	2.0	(4.2)	(1.2)	(3.0)	(0.2)	0.1	(0.4)

8d Pooled 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.

Pooled Services Table 17	Gross Expenditure £000	Gross Income £000	Council Contribution £000
Financial year 2012/13	4,496	(5,201)	364
Financial year 2013/14	5,621	(4,960)	465

8e Parish Council Precepts

Parish councils are required to precept on the Council, which in turn precepts on the Collection Fund. The total precept is £3,618k (2012/13: £3,485k). There was also a special expenses precept on the parishes concerning closed church yards of £7k (2012/13: £10k), giving a net £3,611k (2012/13: £3,475k) figure as the precepts to parishes.

8f 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.

2012/13		Publicity	2013/14	
Council £000	Schools £000	Table 18	Council £000	Schools £000
276	22	Marketing and Public Relations	249	34
36	230	Recruitment and Advertising	30	321
312	**252**	**Total Expenditure**	**279**	**355**

(9) Employee benefits

9a Exit packages

The Authority terminated the contracts of a number of employees in 2013/14. These officers were from all areas in the Council and were made redundant as part of the Authority's restructuring of its services.

Exit package banding	2012/13				2013/14			
Table 19	Compulsory redundancies	Other departures	Total exit packages	Total cost £000	Compulsory redundancies	Other departures	Total exit packages	Total cost £000
COUNCIL								
Up to £19,999	24	3	27	254	14	3	17	127
£20,000 - £39,999	7	1	8	227	1	1	2	59
£40,000 - £59,999	1	1	2	82	1	0	1	45
£60,000 - £79,999	0	0	0	0	1	0	1	61
£80,000 - £99,999	0	0	0	0	0	0	0	0
£100,000 - £149,999	0	1	1	103	0	0	0	0
£150,000 - £199,999	0	0	0	0	0	0	0	0
	32	6	38	666	17	4	21	292
SCHOOLS								
Up to £19,999	13	3	16	71	9	2	11	69
£20,000 - £39,999	1	1	2	56	3	3	6	183
£40,000 - £59,999	0	1	1	58	0	0	0	0
	14	5	19	185	12	5	17	252

9b Remuneration Benefits

The number of employees whose remuneration including redundancy costs but excluding pension contributions was £50k or more in bands of £5k:

Remuneration Bandings	Schools				Council Staff				TOTALS			
	Number of employees		Left during year		Number of employees		Left during year		Number of employees		Left during year	
Table 20	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£50k-£54k	32	36	1	3	18	24	0	0	50	60	1	3
£55k-£59k	19	20	0	0	18	15	1	2	37	35	1	2
£60k-£64k	15	8	0	0	10	17	0	1	25	25	0	1
£65k-£69k	9	11	0	0	4	9	0	0	13	20	0	0
£70k-£74k	3	5	0	1	2	3	0	1	5	8	0	2
£75k-£79k	1	1	0	0	3	3	0	0	4	4	0	0
£80k-£84k	2	3	0	0	8	7	0	0	10	10	0	0
£85k-£89k	1	1	0	0	2	1	1	0	3	2	1	0
£90k-£94k	1	1	0	0	1	0	0	0	2	1	0	0
£95k-£99k	0	0	0	0	0	0	0	0	0	0	0	0
£100k-£104k	1	0	1	0	0	2	0	0	1	2	1	0
£105k-£109k	0	0	0	0	2	1	1	0	2	1	1	0
£115k-£119k	0	0	0	0	0	0	0	0	0	0	0	0
£135k-£139k	0	0	0	0	1	1	0	0	1	1	0	0
£165k -£169k	0	0	0	0	0	0	0	0	0	0	0	0
£175k-£180k	0	0	0	0	0	0	0	0	0	0	0	0
	84	86	2	4	69	83	3	4	153	169	5	8

Expenses paid to the elected members were £524k (2012/13: £549k).

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 £150k.

Executive Remuneration Table 21		Salary (Including fees & allowances) £	Benefits in Kind £	Remuneration excluding pension contributions £	Pension contributions £	Remuneration including pension contributions £
Chief Executive - Nick Carter						
Resources	2013/14	138,418	0	138,418	20,546	158,964
	2012/13	138,418	0	138,418	20,546	158,964
Corporate Directors						
Environment	2013/14	106,189	0	106,189	15,737	121,926
	2012/13	105,177	0	105,177	15,581	120,758
Communities	2013/14	102,244	0	102,244	15,737	117,981
	2012/13	94,925	0	94,925	13,763	108,688
Deputy Director						
Communities	2013/14	89,235	0	89,235	13,181	102,416
	2012/13	88,319	0	88,319	13,062	101,381
Senior Council Personnel						
Head of Legal Services	2013/14	81,592	0	81,592	12,026	93,618
	2012/13	80,819	0	80,819	11,907	92,726
Head of Human Resources	2013/14	81,652	0	81,652	12,026	93,678
	2012/13	80,819	0	80,819	11,907	92,726
Head of Finance	2013/14	80,548	0	80,548	12,026	92,574
	2012/13	77,319	2,213	79,532	11,907	91,439
TOTAL 2013/14		**679,878**	**0**	**679,878**	**101,279**	**781,157**
TOTAL 2012/13		**665,796**	**2,213**	**668,009**	**98,673**	**766,682**

9c 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 31 March 2014. 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

2012/13 £000	Local Government Pension Scheme Table 22	2013/14 £000
	Comprehensive Income and Expenditure account	
11,222	Current Service Cost	11,527
(257)	Past Service Cost / curtailment	(95)
10,965	**Financing and investment income and expenditure**	11,432
15,067	Interest Cost	15,747
(8,045)	Interest on scheme assets	(8,966)
(10,744)	Return on assets less interest	3,162
0	Other actuarial gains / (losses)	(673)
132	Administrative expenses	160
(3,590)	**Total post employment benefit charged to the surplus or deficit on the provisions of services**	9,430
9,135	Prior year IAS19 revision: Total Actuarial gains / (losses)	0
16,510	**Net Charge / Net surplus to the Comprehensive Income and Expenditure Account**	20,862
	Movement in Reserves Statement	
(16,511)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(20,862)
7,631	**Actual amount charged against the General Fund balance for pensions in the year**	7,783

In addition due to the remeasurement required by the revised IAS19 standard recognised gains and losses above, actuarial loss of £12,973k (2012/13: gain of £3,557k) are included in the other Comprehensive Income and Expenditure line in the Income and Expenditure Account.

9d 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.

2012/13 £000	Funded Liabilities Table 23	2013/14 £000
332,188	**Opening balance**	**356,471**
11,222	Current service cost	11,527
15,067	Interest cost	15,747
6,627	Change in financial assumptions	10,518
0	Change in demographic assumptions	(16,555)
2,995	Contributions by scheme participants	3,079
559	Actuarial (gains) and losses	16,523
256	Losses (gains) on curtailments	95
(799)	Liabilities extinguished on settlements	(3,001)
(11,075)	Benefits paid	(10,329)
(569)	Unfunded pension payments	(555)
356,471	**Closing balance**	**383,520**

Assets: the Authority's attributable share of the investments held in the pension scheme to cover the liabilities are valued at 'bid value'.

2012/13 £000	Fair Value of Scheme Assets Table 24	2013/14 £000
177,223	**Opening balance**	**194,575**
8,045	Interest on assets	8,967
10,743	Return on assets less interest	(3,162)
0	Other actuarial gains and (losses)	673
(132)	Administrative expenses	(160)
7,631	Employer contributions including unfunded	7,783
2,995	Contributions by scheme participants	3,079
(11,644)	Estimated benefits paid plus net transfers in	(10,884)
(286)	Settlement prices received and (paid)	(1,414)
194,575	**Closing balance**	**199,457**

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 profit on scheme assets in the year was £5,803k (2012/13: £18,788k).

9e **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 2014 are as follows:

Present value of Scheme Liabilities Table 25	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of Liabilities	(331,922)	(273,917)	(332,188)	(356,471)	(383,520)
Fair value of Assets	168,260	177,844	177,223	194,575	199,457
Surplus / (deficit) in the scheme	**(163,662)**	**(96,073)**	**(154,965)**	**(161,896)**	**(184,063)**
Experience loss/(gain) on defined benefit obligation	(4,828)	9,690	1,013	(559)	(16,523)
Return on plan assets in excess of interest	33,435	(3,686)	(11,053)	9,135	(3,162)

For consistency the assets have been shown at bid price (estimated where necessary) for the periods prior to 31 March 2011.

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 Authority's liabilities have been assessed by

Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme. The main assumptions used in their calculations are listed below:

2012/13	Principal actuarial assumptions Table 26	2013/14
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
23.1	Men	22.7
25.7	Women	26.0
	Longevity at 65 for future pensioners:	
25.1	Men	24.9
27.6	Women	28.3
3.4%	Rate of Inflation	3.6%
2.6%	CPI increase	2.8%
4.6%	Rate of increase in Salaries	4.6%
2.6%	Rate of increase in Pensions	2.8%
4.7%	Rate of discounting scheme liabilities	4.5%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

Assets held by the whole fund and analysed in terms of the investments in which they are held as at 31 March 2014 can be summarised as:

31/03/13 £000	31/03/13 %	Pension fund assets Table 27	31/03/14 £000	31/03/14 %
79,776	41%	Equities	83,771	42%
1,946	1%	Gilts	1,995	1%
40,861	21%	Other Bonds	31,913	16%
19,457	10%	Property	23,935	12%
0	0%	Cash	3,990	2%
		Alternative assets - now split out below		
	(	Target Return	35,902	18%
52,535	27% (	Commodities	17,951	9%
	(	Infrastructure	7,978	4%
	(	Longevity Insurance	(7,978)	-4%
194,575	**100%**	**Total**	**199,457**	**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.

Return of assets Table 28	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Expected	8	11	11	10	15
Actual	(41)	(12)	0	(19)	(6)
Experience gains and losses on	1.45%	(3.54%)	(0.30%)	0.16%	4.31%

The Council paid an employer's contribution of £7.2m (2012/13: £7.0m). This provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary, 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, these amounted to £158k (2012/13: £250k).

9f 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.

The Council paid £5.5m (2012/13: £5.9m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.8% of pensionable pay. 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.

(10) 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.

2012/13 £000	Related Parties Table 29	2013/14 £000
382	Corn Exchange Theatre Trust	384
122	Greenham Common Trust	43
965	West Berkshire Mencap	1,007
284	Vodafone Ltd	294
598	Reading Borough Council	135
0	Bucks, Berks & Oxon Wildlife Trust	113
450	Sovereign Housing Association	256
2,801	**Total**	2,232

Council members have declared an interest in the following organisations:

The Corn Exchange Trust
The Greenham Common Community Trust
The Sovereign Housing Association
The Thames Valley Police Authority
Vodafone Ltd
West Berkshire Mencap
Royal Berkshire Fire and Rescue Authority
Reading Borough Council
Newbury Town Council.

The Council has had dealings with these Organisations over £100k. 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 Authority – it is responsible for providing the statutory framework with which the Authority 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).

(11) Auditor's Fees

In 2013/14 the following fees were incurred by West Berkshire Council and relate to external audit.

2012/13 £000	Audit fees Table 30	2013/14 £000
128	Fees payable to KPMG with regard to external audit services	128
(11)	Rebate from the Audit Commission with regard to external services	(19)
21	Fees payable to KPMG with regard to grants audit	10
138	**Total**	**119**

(12) Financial Instruments

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

12a Financial Instrument balances

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

Financial Instrument Balances	Long Term		Short Term	
	31/03/13	31/03/14	31/03/13	31/03/14
Table 31	£000	£000	£000	£000
Cash and Investments				
Loans and receivables	0	0	0	4,000
Available-for-sale financial assets	0	0	0	0
Unquoted equity under available for sale	0	0	0	0
Cash and cash equivalents	0	0	0	0
Total Investments	**0**	**0**	**0**	**4,000**
Debtors				
Financial assets carried at contract amount	**0**	**0**	**10,566**	**10,389**
Borrowings				
Financial Liabilities at amortised cost	109,262	114,005	11,381	25,891
Financial Liabilities at fair value through profit and loss	0	0	0	0
Cash and cash equivalents	0	0	2,006	183
Other Borrowing	0	0	0	0
Total Borrowings	**109,262**	**114,005**	**13,387**	**26,074**
Creditors				
Financial Liabilities carried at Contract	**0**	**0**	**21,333**	**21,390**

Notes:
Interest paid on long term borrowing was £3,850k (2012/13: £3,915k)
Interest paid on the credit arrangement within the PFI contract was £1,037k (2012/13: £1,565k)
Interest paid on short term borrowing was £33k (2012/13: £17k)
Total interest paid £4,920k (2012/13: £5,497k)
Interest earned on investment was £449k (2012/13: £505k)

12b Fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is:

31/03/13			31/03/14	
Carrying Amount £000	Fair Value £000	Fair value of liabilities and assets Table 32	Carrying Amount £000	Fair Value £000
		Fair value of liabilities carried at amortised cost		
20,505	29,228	PWLB Maturity Loans	20,505	27,194
64,471	81,584	Other PWLB Loans > 1 Year	77,495	89,254
24,286	24,286	Other Long term Borrowing	16,005	16,005
11,375	11,375	Short term borrowing	25,891	25,891
2,006	2,006	Cash and cash equivalents	183	183
122,643	**148,479**	**Total Financial Liabilities**	**140,079**	**158,527**
		Fair value of assets carried at amortised cost		
0	0	Cash and cash equivalents	0	0
0	0	Banks and building society deposits > 3 months	4,000	4,000
0	**0**	**Total Financial assets**	**4,000**	**4,000**

Notes

Short Term Borrowing

Short term borrowing at the 31 March 2014 consisted of £14.0m (2012/13: £8.0m) cashflow loans of less than 1 year; £3.4m (2012/13: £2.7m) principal due to be repaid on PWLB annuity loans within one year, plus £8.5m (2012/13: £0.7m) principal due to be repaid within one year on the credit arrangement within the PFI waste management contract.

Long Term Borrowing

All PWLB maturity loans were inherited from the former Royal County of Berkshire in December 2006.

The balance due over more than 1 year on annuity loans from the PWLB, which West Berkshire Council has taken out since April 2005, to help fund investment in capital assets, is £77.5m (2012/13: £64.5k)

Other long term borrowing consists of the principal outstanding on the credit arrangement within the PFI contract which is due to be repaid over more than one year.

Cash and Cash Equivalents

The cash balance at 31 March 2014 represents bank and building society deposits of £2,914k (2012/13: £1,536k) less the value of cheques issued by the Council ,which were unpresented at that date, of £3,097k (2012/13: £3,543k).

(13) Nature and extent of risks arising from Financial Instruments

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

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

Credit Risk 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.

13a Investments

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2014 and shows that all deposits outstanding as at 31 March 2014 met the Council's credit rating criteria at that date:

Investments Table 33 Counter party	Credit rating criteria met: When placed Yes/No	Credit rating criteria met: On 31/03/14 Yes/No	Balances invested as at 31/03/14: < 1 mth £000	>1 mths <3 £000	>3 mths <6 £000	>6 mths <12 £000	Total £000
Building Societies	Yes	Yes	0	0	0	4,000	4,000
Call Accounts with UK Banks	Yes	Yes	1,666	0	0	0	1,666
Total			**1,666**	**0**	**0**	**4,000**	**5,666**

Note
£1,666k held in call accounts at 31 March 2014 is included in the cash and cash equivalent table.

13b Doubtful receivables

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

Balance 31/03/13 £000	Bad Debt Provision £000	Invoiced Receivables Doubtful Debt Provision Table 34	Bad Debt Provision %	Balance 31/03/14 £000	Bad Debt Provision £000
2,743	27	Current	1%	2,981	30
1,582	95	Over 30 days	6%	1,740	105
137	14	Over 60 days	10%	89	9
144	36	Over 90 days	25%	25	6
325	162	Between 120 to 365	50%	213	106
334	301	2012-13	90%	137	123
151	136	2011-12	90%	113	102
117	117	Earlier	100%	153	153
5,533	888			5,451	634

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

13c 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 approved prudential indicator limits for the maturity structure of debt and the limits on investments greater than one year in duration are the key parameters used to address this liquidity risk. The Council does not normally invest for more than one year. The maturity structure of financial liabilities and assets are as follows (at nominal value):

31/03/13 £000	Liquidity Risk Table 35	31/03/14 £000
	Loans outstanding	
84,977	PWLB loans for more than one year	98,000
24,286	Other Long Term PFI Borrowing	16,005
11,381	Temporary Borrowing	25,891
120,644	**Total**	**139,896**
11,381	Less than 1 year	25,891
0	Between 1 & 2 years	0
1,104	Between 2 & 5 years	842
8,297	Between 5 & 15 years	9,744
99,862	More than 15 Years	103,419
120,644	**Total**	**139,896**

13d **Market Risk:** The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The Council's policy is to aim to keep a maximum of **50%** of its borrowings in variable rate loans. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. During the Financial Year and at 31 March 2014, the Council had no financial loan instruments with variable rates of interest.

(14) Heritage Assets

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

14a The Berkshire Archives

In 1998, Berkshire County Council was abolished and succeeded by six unitary authorities. Under the terms of the Order dissolving the County Council and creating Unitary Authorities in Berkshire, the Record Office remained a county-wide service, with West Berkshire Council acting as the Archive Authority whilst due to the location of the Record Office location, Reading Borough Council was deemed, under a service level agreement, the Host Authority. All six authorities entered into a joint agreement for the funding and management of the service. This joint agreement expired on 31 March 2014, but the six partners have all agreed to renew it for a further term of fifteen years, and the formal extension to the agreement is being prepared.

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

The Record Office continues to acquire documents that contribute to our knowledge of the county's past. Recent acquisitions include a fourteenth-century document from Reading Abbey, a large accumulation of records of the Englefield estate, and a facsimile of the Loyal Address presented to the Queen on the occasion of her diamond jubilee. Altogether over 200 new accessions, amounting to nearly 1000 boxes, were added to the collections in 2013/14. Recent projects have included the conservation of the records of Broadmoor Hospital (generously funded by The Wellcome Trust), the publication of a new index to the important collection of probate records (1480-1857), and a collaboration with Reading University Department of English Literature to uncover the stories of Irish internees in Reading Gaol during the first world war. Members of staff regularly give talks to local organisations about the work of the Record Office, and are happy to arrange visits for local groups.

14b West Berkshire Museum Collections

There has been a public museum in Newbury since 1843 but the current museum and its collections were established in 1904 when the Cloth Hall had been refurbished in memory of Queen Victoria.

The current collections cover Natural Sciences, Geology, Archaeology, Social & Local History, Fine Art, Decorative Art, Costume, Photographs and Local Studies Resources.

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

The Museum collects material that supports the Sense of Place theme for audience development, exhibitions, outreach, and collection development; enabling community engagement and dialogue to reflect local communities in displays and explore individual and community identities. During 2013 there have been 523 items or groups of items accessioned into the collection. These include the Chaddleworth Hoard of 134 roman coins, artwork created as part of the Olympic festival and ephemera relating to the 1992 Newbury by-election.

The Museum will re-open after a major refurbishment in August 2014. All the museum collections are stored at two off-site locations with the exception of a small number displayed at Shaw House.

(15) Non Current Assets

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.

15a Fixed Assets

Movements in Property, Plant & Equipment & Investment Properties 2013/14 Table 36	Land & Buildings £000	Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment properties Assets £000	Assets held for sale £000	TOTAL £000
Valued at Current value							
Book Value @ 01/04/13	346,378	30,340	173,953	201	8,995	100	559,967
Revaluations	25,978	0	0	1	733	1,600	28,312
Impairments	(23,344)	0	0	(45)	(448)	0	(23,837)
Reclassifications	(3,723)	0	0	0	(5)	3,728	0
Additions	7,775	1,568	10,177	0	2	0	19,522
Disposals	(27,754)	0	0	0	0	0	(27,754)
Book Value @ 31/03/14	325,310	31,908	184,130	157	9,277	5,428	556,210
Depreciation @ 01/04/13	(40,597)	(19,930)	(51,594)	(148)	0	(4)	(112,273)
Charged to services	(15,232)	(2,974)	(5,737)	0	0	(193)	(24,136)
On revalued assets	7,768	0	0	0	0	4	7,772
Reclassifications	242	0	0	0	0	(242)	0
On disposal	1,473	0	0	0	0	0	1,473
Balance @ 31/03/14	(46,346)	(22,904)	(57,331)	(148)	0	(435)	(127,164)
Net Book Value @ 31/03/14	**278,964**	**9,004**	**126,799**	**9**	**9,277**	**4,993**	**429,046**
Net Book Value @ 31/03/13	**305,781**	**10,410**	**122,359**	**53**	**8,995**	**96**	**447,694**
Revaluation reserve							
Opening	**(83,609)**	**0**	**0**	**(14)**	**(1,276)**	**0**	**(84,899)**
Movement	(4,140)	0	0	7	312	(3,990)	(7,811)
Closing	**(87,749)**	**0**	**0**	**(7)**	**(964)**	**(3,990)**	**(92,710)**
Assets under Construction							
Opening Balance 01/04/13	**197**	**0**	**0**	**0**	**0**	**0**	**197**
Movement in year							
Additions	**1,286**	0	0	0	0	0	**1,287**
Closing Balance 31/03/14	**1,483**	**0**	**0**	**0**	**0**	**0**	**1,484**

Note
The Land & Buildings figure on the balance sheet (table 08) comprises L&B as well as community assets totals
The balance listed as other (table 08) includes the Plant & Equipment and Infrastructure Assets totals

A proportion of these properties have been revalued during the year by Hampshire County Council, Property Department in accordance with the Code of Practice issued by CIPFA and the “Red Book” (Valuation – Professional Standards 2012 edition) issued by the Royal Institution of Chartered Surveyors (RICS). The Revaluation Reserve records the unrealised revaluation gains arising since 1 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. This Authority has four assets held for sale which are: the Control Tower at Greenham Common, Pound Lane Depot, Taceham House and some land adjacent to the Phoenix Centre. The Control Tower was subsequently sold on 16 April 2014.

Movements in Property, Plant & Equipment and Investment Properties 2012/13 Table 37	Land & Buildings £000	Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Investment properties Assets £000	Assets held for sale £000	TOTAL £000
Valued at Current value							
Book Value @ 31/03/12	340,299	27,917	166,375	1,535	12,496	1,772	550,394
Upward revaluations	33,384	0	0	1	842	0	34,227
Impairments	(8,780)	0	0	(387)	(4,237)	0	(13,404)
Reclassifications	8,555	0	0	(865)	(47)	0	7,643
Additions	5,251	2,515	7,578	0	34	0	15,378
Disposals	(1,339)	(92)	0	(83)	(93)	(1,672)	(3,279) *
Removal of Academy Schools	(15,990)	0	0	0	0	0	(15,990)
Removal re clean up exercise	(15,002)	0	0	0	0	0	(15,002)
Book Value @ 31/03/13	346,378	30,340	173,953	201	8,995	100	559,967
Depreciation @ 01/04/12	(43,674)	(17,120)	(46,071)	(243)	0	(465)	(107,573)
Depreciation charged to services	(13,013)	(2,865)	(5,523)	0	0	(2)	(21,403)
Depreciation on revalued assets	7,993	0	0	0	0	0	7,993
Depreciation on impaired assets	1,961	0	0	24	0	0	1,985
Depreciation on Academy Schools	2,158	0	0	0	0	0	2,158
Reclassifications (re-group & transfer)	(62)	0	0	62	0	0	0
Depreciation on disposal	0	55	0	0	0	463	518
Depreciation re clean up exercise	4,040	0	0	9	0	0	4,049
Balance @ 31/03/13	(40,597)	(19,930)	(51,594)	(148)	0	(4)	(112,273)
Net Book Value @ 31/03/13	**305,781**	**10,410**	**122,359**	**53**	**8,995**	**96**	**447,694**
Net Book Value @ 31/03/12	**296,625**	**10,797**	**120,304**	**1,292**	**12,496**	**1,307**	**442,821**
Revaluation reserve							
Opening	**(50,529)**	**0**	**0**	**(12)**	**(4,595)**	**(183)**	**(55,319)**
Movement	(33,080)	0	0	(2)	3,319	183	(29,580)
Closing	**(83,609)**	**0**	**0**	**(14)**	**(1,276)**	**0**	**(84,899)**
Assets under Construction							
Opening Balance 01/04/12	**11,205**	**0**	**0**	**0**	**0**	**0**	**11,205**
Movement in year							
Additions	**59**	0	0	0	0	0	**59**
Re-group	**(7,643)**	0	0	0	0	0	**(7,643)**
Removal of Academy schools	**(3,424)**	0	0	0	0	0	**(3,424)**
Closing Balance 31/03/13	**197**	**0**	**0**	**0**	**0**	**0**	**197**

Note
The Land & Buildings figure on the balance sheet (table 08) comprises L&B as well as community assets totals
The balance listed as other (table 08) includes the Plant & Equipment and Infrastructure Assets totals

* The bulk of the disposals is the removal of three academy schools.

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.

15b Capital Expenditure: The total capital expenditure for the year was £26,266k (2012/13: £30,981k).

15c Capital expenditure financing

2012/13 £000	Capital Expenditure Financing Table 38	2013/14 £000
154,068	**Opening Capital Financing Requirement**	156,803
	Capital Investment	
15,344	Property, Plant and Equipment	19,541
34	Investment Properties	0
59	Assets under construction	1,286
15,544	Revenue Expenditure Funded from capital under statute	5,439
	Sources of Finance	
(1,781)	Capital receipts	(2,496)
(16,116)	Government Grants	(13,554)
(114)	Other Grants	(774)
(796)	Revenue funding	(233)
(40)	Other internal balances and funds	(111)
(5,943)	Developers/other contributions	(2,783)
(3,456)	**MRP/Loans Principal Repaid**	(3,922)
156,803	**Closing Capital Financing Requirement**	**159,196**
	Explanation of Movements in Year	
2,735	Increase in underlying need to borrow (unsupported by government financial assistance)	**2,393**

15d Amenities provided by the Authority are:

31/03/13 Nos	Capital Assets - Amenities Table 39	31/03/14 Nos
9	Public Conveniences	8
25	Car Parks	25
2	Industrial Properties	2
3	Farms	3
2	Civic Amenity Sites	2
8	Leisure Centres	8
9	Community Services	9
10	Museum and Libraries	10
60	Schools and associated properties	60
6	Commercial Premises	6
334	Public Open Spaces	317
9	Council Offices	9
16	Community Centres	16
2	Highways Depots	2
48	Housing Operational Properties	48
543	**Total**	525

15e Capital Assets: During the year a proportion of the Assets were revalued in line with the five year rolling programme. The one Foundation school in the district is not included in the Council's asset register but the Council is required to disclose the valuation. The fixed assets of this school are £13.3m (2012/13: £13.6m) being £10.7m for building and £2.6m for land.

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

Main Items of Capital Expenditure (>£150k) Table 40	2013/14 £000
Social Care and Housing Projects	
Disabled facilities Grants	1,050
Improvements to the Walnut Close Care Home	236
The Priory, Hungerford - Extra Care Housing	276
Education Projects	
Maintenance of School Buildings	2,328
Kennet School - New Heading & visual impairment unit	1,139
Project management of schools and other building schemes	613
John Rankin Infant & Junior School - Additional places	544
Long Lane Primary improvements	514
Burghfield St Mary's Primary School improvements	471
Hungerford Primary - Additional places	451
Basildon School - Additional places	419
The Downs School - New science block	384
Improvements to Schools' Broadband	353
The Winchcombe School - Basic Need	353
Little Heath School sixth form expansion	260
Highways Maintenance and Improvements	
Maintenance of the highways network	6,591
Essential Maintenance - Bridges	317
A4 Calcot Widening	356
Local Sustainable Transport	591
Flood alleviation and land drainage	489
Kennet Centre MSCP - Roof Deck Repair	198
Other Council Projects	
Redevelopment of the Newbury Museum	1,286
Northcroft Changing Rooms	484
Improvements to IT infrastructure and systems	254
Maintenance and health and safety of Council offices	1,088
Total	21,045

Wherever possible the Council aims to fund any necessary capital investment from external sources of funding i.e. grants, developers' contributions and capital receipts. The level of investment required over and above the level of external funding available must then be weighed up against the revenue cost of repaying loans to fund capital expenditure from external sources. In establishing its Prudential Framework, the Council determined that it could support a capital programme of £12,592k (2012/13: £9,465k).

15f Leased Assets

Council as Lessor

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

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

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

31 March 2013			Table 41	31 March 2014		
Sporting & Community facilities £000	Industrial & Commercial Premises £000	Other £000	Council as lessor Operating Leases Leases expiring:	Sporting & Community facilities £000	Industrial & Commercial Premises £000	Other £000
43	404	29	Not later than 1 year	76	438	36
149	1,182	102	Between 1 and 5 years	176	973	99
129	4,322	136	Between 5 and 25 years	178	5,222	156
25	4,236	84	Over 25 years	46	7,542	153
346	**10,144**	**351**		**476**	**14,175**	**444**

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

The rental income credited to the income statement was £659k (2012/13: £534k)

Council as Lessee

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

Operating leases: The Council has a number of leases relating to buildings, vehicles, office equipment and leisure equipment. The buildings include social care facilities, schools and children centres. These items are not the property of the Council and consequently are not recorded in the Balance Sheet.

31 March 2013		Table 42	31 March 2014	
Land & Buildings £000	Vehicles Plant & Equipment £000	Council as lessee Operating Leases Leases expiring:	Land & Buildings £000	Vehicles Plant & Equipment £000
369	138	Not later than 1 year	389	459
1,307	741	Between 1 and 5 years	1,001	822
4,423	200	Between 5 and 25 years	3,887	6
760	0	Over 25 years	7	0
6,859	**1,079**		**5,284**	**1,287**

Being the minimum lease payments payable

The charge to the Income and Expenditure Statement for both Land & Building and Vehicles, Plant & Equipment was £658k (2012/13: £508k) and £598k (2012/13: £604k) respectively.

(16) 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.

16a Rental income

2012/13 £000	Rental income Table 43	2013/14 £000
(382)	Rental income from Investment Properties	(384)
14	Capital Charges	0
18	Direct operating expenses arising from investment properties	15
(350)	**Net Income**	(369)

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.

16b Investment properties

2012/13 £000	Investment Properties Table 44	2013/14 £000
12,496	**Balance at start of year**	**8,995**
	Additions	
34	Subsequent Expenditure	2
(93)	Disposals	0
	Other changes	
(3,396)	Net gains/losses from fair value adjustments	323
(46)	To/(from) Property, Plant & Equipment	(43)
(3,442)	**Total other changes**	280
8,995	**Balance at end of year**	**9,277**

(17) Private Finance Initiative – IWMF Padworth

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

17a The contract included provision of an Integrated Waste Management Facility (IWMF), built on Council owned land at Padworth Sidings. This £25.97m facility opened on 19 October 2011, and is recognised as both an asset and liability in the Balance Sheet. However, whilst capital repayments actually commenced from 1 April 2013 notional capital payments have been spread over the 21 years from the month of opening to the end of the PFI contract on 30 September 2032.

The future payment stream is estimated as follows:

Padworth PFI payments 2012/13 £000	Table 45 Due within	Repayment of Liability £000	Interest £000	Service Charges £000	Total 2013/14 £000
20,624	**Repayment in year**	477	1,037	15,480	**16,994**
	Deferred liability				
18,456	**Within 1 year**	506	1,008	16,859	**18,373**
78,721	**2 to 5 years**	2,353	3,703	70,924	**76,980**
108,355	**6 to 10 years**	3,845	3,725	97,792	**105,362**
120,612	**11 to 15 years**	5,171	2,399	109,667	**117,237**
118,345	**16 to 20 years**	4,636	663	85,046	**90,345**
465,113		**16,988**	**12,535**	**395,768**	**425,291**

17b These payments have been calculated to compensate Veolia for the fair value of the services provided, the capital expenditure incurred and interest payable. The capital asset movement recognised by WBC with and the associated outstanding PFI liability for capital expenditure incurred by Veolia is:

31/03/13 £000	Padworth PFI Table 46 Asset movments & Liabilities	31/03/14 £000
	Movement in asset value:	
31,217	**Gross Book Value at start of year**	**31,217**
0	Revaluation	(2,252)
31,217	**Gross Book Value at year-end**	**28,965**
0	**Depreciation at the start of year**	**(915)**
(915)	Depreciation	(844)
(915)	**Depreciation at year-end**	**(1,759)**
30,302	**Net Book Value at year-end**	**27,206**
	Movement in the deferred liability:	
(25,649)	**Balance outstanding at the start of year**	**(24,988)**
0	Adjustment due to restructuring of contract	8,000
661	Principal repayment in year	477
(24,988)	**Balance outstanding at year-end**	**(16,511)**
(702)	Within 1 year	(506)
(24,286)	Deferred liability	(16,005)
(24,988)	**Balance outstanding at year-end**	**(16,511)**

The contract has been restructured in 2013/14 which will have the effect of reducing the level of outstanding debt included in the contract by £8m in 2014/15. At the end of the contract the IWMF will revert, at no residual cost, back to the Council.

(18) Inventory and Work in Progress

18a **Inventory** - goods and materials charged to revenue, which have not been used by the end of year, totalled £35k (2012/13: £30k) for the Tourist Information centre and Shaw House. This stock is carried forward to be charged in the year it is used.

18b Contractual commitments: on major capital schemes at the 31 March 2014 were:

Estimated commitments at 31/03/13 £000	Capital commitments Table 47	Esitmated contract cost at 31/03/14 £000	Contract payments prior to 01/04/13 £000	Contract payments within 2013/14 £000	Estimated commitments at 31/03/14 £000
148	St Bartholemew's School	34,622	34,481	141	0
103	Trinity School new sports facilities	3,463	3,458	0	5
97	The Winchcombe School	5,673	5,579	94	0
129	Denefield School	6,830	6,701	82	47
52	Brookfields Special School	1,420	1,378	18	24
102	Chieveley Primary	3,001	2,899	97	5
56	Theale Green School	1,972	1,923	49	0
50	Kintbury St Mary's Primary	2,006	1,956	50	0
748	The Downs School-Science Block	3,950	3,471	425	54
792	Kennet School Sensory Impairment Unit	1,823	682	1,120	21
448	Burgfield St Mary's Primary School	1,180	728	438	14
0	Long Lane Primary School	476	0	463	13
0	Spurcroft Primary School Expansion	1,800	0	53	1,747
0	John Rankin Infants Extension	829	0	413	416
0	The Winchcombe School - Basic Need	932	0	236	696
0	Superfast Broadband Infrastructure	4,060	0	0	4,060
0	Newbury Museum Redevelopment	1,731	0	1,183	548
2,725		75,768	63,256	4,862	7,650

(19) Debtors

19a Debtors: represents income due within one year:

31/03/13 £000	Debtors Table 48	31/03/14 £000
1,832	Central Government	4,550
3,463	Local Government	857
2	NHS	228
12	Academy Schools	44
2,664	Collection Fund	4,038
1,624	Payments in Advance	2,095
7,089	Other Debtors	9,260
16,686	**Total Debtors**	**21,072**
(2,840)	**less provision**	(2,531)
13,846	**Total Debtors**	**18,541**
	Payments in Advance	
38	Government Departments	34
1	Local Government	6
0	Academy Schools	3
1,585	Other Payments in Advance	2,052
1,624	**Total Payments in Advance**	**2,095**

19b Long term debtors: are those debtors in excess of one year:

31/03/13 £000	Long-term Debtors Table 49	31/03/13 £000	Movement £000	31/03/14 £000
0	Property Charges	0	0	0
36	Employees Car Loans	36	(7)	29
2	Sale of Council Houses	2	(2)	0
20	School loans	20	(7)	13
8	Other Loans and Advances	8	(2)	6
66	**Total Long Term Debtors**	**66**	**(18)**	**48**

(20) Cash and cash equivalents

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

31/03/13 £000	Cash & Cash Equivalents Table 50	31/03/14 £000
1,129	Cash held by the Authority	1,029
(3,320)	Bank current accounts	(2,878)
185	Short Term Deposits	1,666
(2,006)	**Total**	(183)

Bank current account figures for 31 March 2013 and 31 March 2014 represent the current account balance less the value of cheques issued by the Council which were unpresented at that date. Short term deposits at 31 March 2014 are in the Royal Bank of Scotland Money Market Fund £56k (2012/13: £56k), HBOS Deposit Account £1,606k (2012/13: £125k) and Santander Deposit Account £4k (2012/13: £4k).

(21) Creditors

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

31/03/13 £000	Creditors Table 51	31/03/14 £000
7,025	Central Government	2,990
1,099	Local Government	556
95	NHS	79
5	Academy	52
0	Collection Fund	906
6,556	Receipts in Advance	7,307
20,134	Other Creditors	20,703
34,915	**Total Creditors**	**32,593**
	Receipts in Advance	
999	Central Government	2,071
11	Local Government	59
0	NHS	25
63	Academy Schools	66
5,484	Other Receipts in Advance	5,086
6,556	**Total Receipts in Advance**	**7,307**

(22) Provisions, contingent liability and contingent assets

Provisions Table 52	Balance 31/03/13 £000	Arising in Year £000	Payments in Year £000	Balance 31/03/14 £000
Crookham (extraction of minerals)	9	0	0	9
Provision for liabilities	1,124	154	(1,124)	154
Other Provisions	334	100	0	434
Total Provisions	**1,467**	**254**	**(1,124)**	**597**

Other Provisions includes West Berkshire Council's share of future claims against Berkshire County Council's liabilities. Provisions represent the best estimate at the Balance Sheet date of expenditure required to settle a known obligation.

Contingent Liabilities: There is one legal case awaiting recovery of legal costs. It is impossible at this time to assess what monetary amount may be recovered.

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is in the region of £120,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. Negotiations are ongoing between the parties. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

(23) Carbon Reduction Commitment Scheme

Under the CRC Energy Efficiency Scheme the Council has spent £39k on corporate premises and £100k on schools (2012/13 £75k and 105k respectively), which has been charged to this year's Comprehensive Income and Expenditure account.

(24) Reserves and balances

24a Usable: The Authority's usable reserves are made up as follows:

31/03/13 £000	Usable Reserves Table 53	31/03/14 £000
8,001	General Fund	8,451
2,061	Working balances	2,360
12,586	Earmarked reserves	12,301
2	Deferred Credit	0
2,437	Usable Capital Receipts	0
20,314	Capital Reserves	18,884
45,401	**Total usable reserves**	**41,996**

24b 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.

24c Working Balances: This balance represents resources used for cash flow purposes that are held for consumption in the following financial year.

24d 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.

Earmarked Reserves Table 54	31/03/13 £000	Receipts £000	Payments £000	31/03/14 £000
Total Working Balances	**2,061**	**1,656**	**(1,357)**	**2,360**
General Fund	6,480	0	0	6,480
Risk Fund	1,521	450	0	1,971
Total General Reserve	**8,001**	**450**	**0**	**8,451**
Schools Balances	5,435	4,803	(5,435)	4,803
Special Expenses	6	0	0	6
Self Insurance Fund	1,473	14	(192)	1,295
Long term commitment	1,439	30	(294)	1,175
Ex BCC Liabilities	273	0	0	273
Specific Earmarked Reserves	3,400	2,034	(1,613)	3,821
Waste Management Strategy	560	1,168	(800)	928
Total Earmarked Reserves	**12,586**	**8,049**	**(8,334)**	**12,301**
Total General Fund	**22,648**	**8,499**	**(8,334)**	**23,112**

24e Deferred Credit: Representing sale of council houses.

24f Usable Capital Receipts: These are capital receipts, which have not been used to finance Capital expenditure or to repay debts.

24g School Balances:

School balances 2013/14 Table 55	Nursery £000	Primary £000	Secondary £000	Special £000	Totals £000
Opening balances	130	4,275	825	205	5,435
Transfers to Academies	0	(251)	(238)	0	(489)
Restated balances	130	4,024	587	205	4,946
Movement	21	(604)	(444)	884	(143)
Closing balances	151	3,420	143	1,089	4,803
Representing					
Underspent	151	3,453	252	1,089	4,945
Overspent	0	(33)	(109)	0	(142)
Net balance	151	3,420	143	1,089	4,803

The schools balances table includes all school balances for each sector - revenue and capital. Special schools now include the balances of the two pupil referral units who moved to delegated budgets from 1 April 2013. Opening balances have been restated to exclude the two schools (Theale Green School and Whitelands Park Primary) who converted to academy status during the financial year.

If schools underspend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31 March 2014 Schools held total balances of £4,803k (2012/13: £5,435k). The £4,803k (2012/13: £5,435k) is an amalgamation of unspent and overspent balances, of which £4,945k is the unspent surplus and £142k is the overspent deficit (2012/13: £5,484k and £49k respectively). Five schools closed with a deficit revenue balance (2012/13: one).

West Berkshire's Schools Forum has set a recommended maximum limit for balances on schools' delegated budgets of 8% primary, and 5% secondary of the annual budget or £20,000 (whichever is greater). In line with the Scheme for Financing Schools, schools with balances in excess of these limits are asked to explain the purposes for which their balances have been earmarked. Three schools have closed with an excess balance totalling £36k, compared to 2 schools totalling £10k at the end of 2012/13. The Schools Forum will consider explanations from schools at their June 2014 meeting, and any schools retaining an excess balance outside permitted uses will have the excess balance clawed back.

24h 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.

24i Supporting People Reserve: was established to meet future reductions in the Supporting People Grant from Central Government.

24j Self Insurance Fund: This Fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The Fund is used to pay the first £250k of any property claim and the first £100k of other claims. External insurance covers the balance of claims.

24k 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.

24L Ex BCC liabilities: represents the allocation to West Berkshire Council of ex Berkshire County Council (BCC) provisions, mainly relating to insurance matters.

24m Specific Earmarked Reserves: The main items included within this are items provided for in the 2013/14 financial year to support the 2014/15 budget, funds set aside for future restructuring costs and items for specific future liabilities.

24n 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.

(25) Unusable Reserves

31/03/13 £000	Unusable Reserves Table 56	31/03/14 £000
(3,349)	Accumulated Absences Account	(3,293)
84,899	Revaluation reserve	92,710
176,214	Capital Adjustment Account	149,404
(161,896)	Pension Reserve	(184,063)
(842)	Collection Fund	(1,410)
95,026	**Total Unusable Reserves**	**53,348**

25a Accumulated Absence Account: This account shows the differences that would arise on the General fund Balance from accruing compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. The amounts will change year on year depending on how much leave employees still have to take.

25b 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.

2012/13 £000	Revaluation Reserve Table 57	2013/14 £000
55,319	**Opening Balance**	**84,899**
41,409	Upward revaluations of assets	27,557
(4,435)	Impaired assets	(3,841)
36,974	**Surplus or deficit on revaluation of Fixed Assets**	**23,716**
(1,186)	Sold assets	0
(2,328)	Academy Schools removed	(10,300)
(3,880)	Depreciation in year	(5,605)
84,899	**Closing Balance**	**92,710**

25c 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.

2012/13 £000	PPE - Capital Adjustment Account Table 58	2013/14 £000
214,664	**Opening Balance**	**176,214**
796	Revenue contribution to capital	774
1,781	Capital receipts applied	2,496
9,050	External funding of new capital assets	13,916
3,456	Minimum Revenue Provision / Loans Principal	3,922
13,163	External funding of REFCUS	3,540
(15,544)	REFCUS Assets charged	(5,459)
(21,363)	Depreciation	(24,182)
3,879	Historic cost depreciation adjustment	5,606
(2,761)	Write out asset values on disposal	0
1,186	Revaluation reserve re sold assets	0
(6,134)	Impaired assets	(11,557)
(5,314)	Assets removed in clean up exercise	0
(5,639)	Assets removed in change of procedure	0
(17,255)	Academy schools removed	(26,281)
2,328	Revaluation reserve re academy schools	10,300
(79)	Revaluations Investment Properties	115
176,214	**Closing Balance**	**149,404**

25d 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.

25e 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.

2012/13 £000	Rates and Tax Income Adjustment Account Table 59	2013/14 £000
(988)	**Opening Balance**	**(842)**
146	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	(565)
(842)	**Closing Balance**	**(1,407)**

(26) Unapplied Capital Grants, Contributions and Receipts

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

Unapplied Capital Grants and Contributions Table 60	Opening Balance 31/03/13 £000	New Grants and Contributions £000	Grants repaid to funding body & Contri butions Written off £000	Amount applied to fund Capital Expenditure £000	Closing Balance 31/03/14 £000
Section 106 & Other Contributions	(11,099)	(5,270)	83	3,439	(12,847)
Capital Grants	(9,215)	(11,904)	0	15,082	(6,037)
Grants & other contributions unapplied	**(20,314)**	**(17,174)**	**83**	**18,521**	**(18,884)**
Grants with Conditions	**(1,451)**	**(1,834)**	**0**	**210**	**(3,075)**

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

2012/13 £000	Net Cashflow Table 61	2013/14 £000	2013/14 £000
(221)	General Fund (Surplus) / Deficit		(450)
	Non Cash Transactions		
21,668	Contribution to/(from) Reserves		17,600
	Items on an accruals basis		
(1)	(Increase)/Decrease in Stock	(5)	
1,320	(Increase)/Decrease in Debtors	4,688	
(3,423)	Increase/(Decrease) in Creditors	706	
			5,389
19,343	**Items classified outside Revenue Activities**		22,539
19,343	**Net cashflows from operating activities**		**22,539**

(28) Cash flow Reconciliation to Balance Sheet

Cash flow reconciliation Table 62	31/03/13 £000	Movement £000	31/03/14 £000
Temporary Borrowing	11,375	14,516	25,891
Temporary Investments	0	(4,000)	(4,000)
Cash and cash equivalents	(2,006)	1,823	(183)

(29) Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools in funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG allocation is based on the number of pupils recorded in the January school census. An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011.

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

Details of the deployment of DSG receivable for 2013/14 are as follows:

Deployment of Dedicated School Grant Table 63	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2013/14 before Academy recoupment			118,510
Academy figure recouped for 2013/14			(29,033)
Total DSG after Academy recoupment for 2013/14			89,477
Plus: Brought forward from 2012/13			756
Less: Carry forward to 2014/15 agreed in advance			0
Agreed initial budgeted distribution in 2013/14	13,760	76,473	**90,233**
In year adjustments	0	170	170
Final budgeted distribution for 2013/14	**13,760**	**76,643**	**90,403**
Less Actual central expenditure	(12,886)		(12,886)
Less Actual ISB deployed to schools		(76,010)	(76,010)
Plus Local Authority contribution for 2013/14	0	0	0
Carry forward to 2014/15	**874**	**633**	**1,507**

(30) 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.

- 2013/14 Table for year end 31 March 2014 on page 65
- 2012/13 Table for year end 31 March 2013 on page 66

(31) 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority'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.

- 2013/14 Table for year end 31 March 2014 on page 67
- 2012/13 Table for year end 31 March 2013 on page 68

Adjustment between Accounting Basis and Funding Basis under Regulation 2013/14 Table 64	General Fund Balance £000	Deferred Credit £000	Useable Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000	Total Authority Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Depreciation	35,817	0	0	0	35,817	(35,817)	0
Being charges for depreciation and revaluation losses of non-current assets-							
Investments	(115)	0	0	0	(115)	115	0
Being movements in the fair value of investment properties							
Grants applied	2,273	0	0	(18,731)	(16,458)	16,458	0
Being capital grants and contributions applied							
Revenue funded	5,459	0	0	0	5,459	(5,459)	0
Being revenue expenditure funded from capital under statute							
Disposals	0	0	0	0	0	0	0
Removal of Academies	26,281	0	0	0	26,281	(26,281)	0
Being amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal to the Income and Expenditure Statement							
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision	(3,922)	0	0	0	(3,922)	3,922	0
Being statutory provision for the financing of capital investment							
Capital expenditure	(774)	0	0	0	(774)	774	0
Being capital expenditure charged against the General Fund and HRA balances							
Adjustments primarily involving the Capital Grants Unapplied Account							
Grants unapplied	(17,174)	0	0	17,174	0	0	0
Being capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement							
Adjustments primarily involving the Capital Receipts Reserve							
Cash transfer	(125)	(2)	0	127	0	0	0
Being transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Capital Receipts	0	0	(2,437)	0	(2,437)	2,437	0
Being use of the Capital Receipts Reserve to finance new capital expenditure							
Adjustment primarily involving the Pensions Reserve							
Reversals	20,862	0	0	0	20,862	(20,862)	0
Being reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement							
Pension contributions	(7,783)	0	0	0	(7,783)	7,783	0
Being employer's pension contributions and direct payments to pensioners payable in year							
Adjustment primarily involving the Collection Fund Adjustment Account							
Council tax income	(568)	0	0	0	(568)	568	0
Being amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements							
Adjustments primarily involving the Accumulated Absences Account							
Renumeration	(56)	0	0	0	(56)	56	0
Being amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements							
Total	**60,175**	**(2)**	**(2,437)**	**(1,430)**	**56,306**	**(56,306)**	0
Total Adjustments between accounting basis and funding basis under regulations							

Adjustment between Accounting Basis and Funding Basis under Regulation 2012/13 Table 65	General Fund Balance £000	Deferred Credit £000	Useable Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000	Total Authority Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Depreciation	27,497	0	0	0	27,497	(27,497)	0
Being charges for depreciation and revaluation losses of non-current assets-							
Investments	79	0	0	0	79	(79)	0
Being movements in the fair value of investment properties							
Grants applied	826	0	0	(23,039)	(22,213)	22,213	0
Being capital grants and contributions applied							
Revenue funded	15,544	0	0	0	15,544	(15,544)	0
Being revenue expenditure funded from capital under statute							
Disposals	2,761	0	0	0	2,761	(2,761)	0
Removal of Academies	17,255	0	0	0	17,255	(17,255)	0
Removal re clean up exercise	10,953	0	0	0	10,953	(10,953)	0
Being amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal to the Income and Expenditure Statement							
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision	(3,456)	0	0	0	(3,456)	3,456	0
Being statutory provision for the financing of capital investment							
Capital expenditure	(796)	0	0	0	(796)	796	0
Being capital expenditure charged against the General Fund and HRA balances							
Adjustments primarily involving the Capital Grants Unapplied Account							
Grants unapplied	(14,425)	0	0	14,425	0	0	0
Being capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement							
Adjustments primarily involving the Capital Receipts Reserve							
Cash transfer	(4,212)	(6)	4,218	0	0	0	0
Being transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Capital Receipts	0	0	(1,781)	0	(1,781)	1,781	0
Being use of the Capital Receipts Reserve to finance new capital expenditure							
Adjustment primarily involving the Pensions Reserve							
Reversals	16,511	0	0	0	16,511	(16,511)	(0)
Being reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement							
Pension contributions	(7,631)	0	0	0	(7,631)	7,631	0
Being employer's pension contributions and direct payments to pensioners payable in year							
Adjustment primarily involving the Collection Fund Adjustment Account							
Council tax income	(146)	0	0	0	(146)	146	(0)
Being amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements							
Adjustments primarily involving the Accumulated Absences Account							
Renumeration	(262)	0	0	0	(262)	262	0
Being amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements							
Total	**60,498**	**(6)**	**2,437**	**(8,614)**	**54,315**	**(54,315)**	(0)
Total Adjustments between accounting basis and funding basis under regulations							

Directorate Expenditure for the year ended 31 March 2014

Comprehensive Income and Expenditure Statement (CI&ES) Table 66	Communities £000	Environment £000	Resources £000	Below the line items £000	Total £000
Fees, charges & other service income	(12,463)	(10,196)	(5,514)	(1,285)	(29,458)
Government grants	(99,476)	(2,717)	(45,760)	(460)	(148,413)
Total Income	**(111,939)**	**(12,913)**	**(51,274)**	**(1,745)**	**(177,871)**
Employee expenses	28,230	12,795	12,597	879	54,501
Other operating expenses	151,955	32,750	50,816	9,735	245,256
Total operating expenses	**180,185**	**45,545**	**63,413**	**10,614**	**299,757**
Net Cost of Services	**68,246**	**32,632**	**12,139**	**8,869**	**121,886**

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

Cost of Services in Service Analysis	**121,886**
Add services not included in main analysis	0
Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	(9,121)
Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	45,774
Net Cost of Services in Comprehensive Income and Expenditure Statement	**158,539**

Reconciliation to Subjective Analysis	Service Analysis £000	Amounts included in the analysis but not included in the CI&ES £000	Amounts not included in the analysis but included in the CI&ES £000	Allocation of support service recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(29,458)	2,385	0	0	(27,073)	0	(27,073)
Interest and investment income	0	0	(449)	0	(449)	0	(449)
Income from council tax	0	0	0	0	0	(78,243)	(78,243)
Government grants and contributions	(148,413)	4,990	0	0	(143,423)	(64,181)	(207,604)
Total Income	**(177,871)**	**7,375**	**(449)**	**0**	**(170,945)**	**(142,424)**	**(313,369)**
Employee expenses	54,501	4,161	0	10,861	69,523	0	69,523
Other service expenses	245,256	3,453	0	0	248,709	35,374	284,083
Support Service recharges	0	0	0	(11,800)	(11,800)	0	(11,800)
Depreciation, amortisation, impairment and disposal	0	30,785	0	939	31,724	0	31,724
Interest Payments	0	0	(4,921)	0	(4,921)	4,471	(450)
Precepts & Levies	0	0	(3,751)	0	(3,751)	3,751	0
Gain / Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0
Total operating expenses	**299,757**	**38,399**	**(8,672)**	**0**	**329,484**	**43,596**	**373,080**
Surplus or deficit on the provision of services	**121,886**	**45,774**	**(9,121)**	**0**	**158,539**	**(98,828)**	**59,711**

Directorate Expenditure for the year ended 31 March 2013

Comprehensive Income and Expenditure Statement (CI&ES) Table 67	Communities £000	Environment £000	Resources £000	Below the line items £000	Total £000
Fees, charges & other service income	(17,109)	(9,634)	(5,297)	(1,398)	(33,438)
Government grants	(103,621)	(2,394)	(51,853)	0	(157,868)
Total Income	**(120,730)**	**(12,028)**	**(57,150)**	**(1,398)**	**(191,306)**
Employee expenses	29,777	12,538	12,124	824	55,263
Other operating expenses	160,021	34,032	58,057	7,099	259,209
Total operating expenses	**189,798**	**46,570**	**70,181**	**7,923**	**314,472**
Net Cost of Services	**69,068**	**34,542**	**13,031**	**6,525**	**123,166**

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

Cost of Services in Service Analysis	**123,166**
Add services not included in main analysis	0
Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	(7,572)
Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	76,573
Net Cost of Services in Comprehensive Income and Expenditure Statement	**192,167**

NOTE

The directorates were reorganised at the start of the year. Children & Young People was combined with Adult Social Services to form a new Communities directorate. The Chief Executive's directorate is now known as Resources.

Reconciliation to Subjective Analysis	Service Analysis £000	Amounts included in the analysis but not included in the CI&ES £000	Amounts not included in the analysis but included in the CI&ES £000	Allocation of support service recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(33,438)	2,860	0	0	(30,578)	0	(30,578)
Interest and investment income	0	0	(505)	0	(505)	0	(505)
Income from council tax	0	0	0	0	0	(82,179)	(82,179)
Government grants and contributions	(157,868)	4,641	0	0	(153,227)	(59,068)	(212,295)
Total Income	**(191,306)**	**7,501**	**(505)**	**0**	**(184,310)**	**(141,247)**	**(325,557)**
Employee expenses	55,263	3,334	0	8,148	66,745	0	66,745
Other service expenses	259,209	9,901	0	2,884	271,994	5,097	277,091
Support Service recharges	0	0	0	(12,464)	(12,464)		(12,464)
Depreciation, amortisation, impairment and disposal	0	55,837	(1,445)	1,432	55,824		55,824
Interest Payments	0	0	(5,497)	0	(5,497)	8,467	2,970
Precepts & Levies	0	0	(125)	0	(125)	125	(0)
Gain / Loss on Disposal of Fixed Assets	0	0	0	0	0	(1,445)	(1,445)
Total operating expenses	**314,472**	**69,072**	**(7,067)**	**0**	**376,477**	**12,244**	**388,721**
Surplus or deficit on the provision of services	**123,166**	76,573	(7,572)	0	192,167	(129,003)	63,164

The Collection Fund Income and Expenditure Account

As collection authority West Berkshire Council is responsible for the billing and recovery of Council Tax and Non Domestic Rates. Such transactions are required to be shown separately from the provision of services by the District Council. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Council Tax 2012/13 £000	Business Rates 2012/13 £000	Collection Fund Income & Expenditure Account Table 68	notes	Council Tax 2013/14 £000	Business Rates 2013/14 £000
		Income			
(95,206)		Council Tax Receivable	1	(91,799)	
	(81,159)	Business Rates Receivable	2		(79,825)
(431)		Government Grants	3	(443)	
(95,637)	**(81,159)**	**Total Income**		**(92,242)**	**(79,825)**
		Expenditure			
		Precepts & Demands:	4		
0	0	Central Government		0	40,801
83,014	0	West Berkshire Council		79,028	39,985
9,904	0	Thames Valley Police Authority		9,425	0
3,573	0	Royal Berkshire Fire Authority		3,632	816
96,491	**0**			**92,085**	**81,602**
(959)	0	Transfer to General Fund in respect of distribution of previous year's estimated deficit	5	**(903)**	**0**
		Charges to the Collection Fund			
0	79,402	Payments to the pool	2	0	0
0	0	Transitional Relief Payment		0	461
0	255	Costs of collection		0	257
(96)	1,502	(Increase) / decrease in Bad Debt Provision		141	(357)
0	0	(Increase) / decrease in Provision for Appeals		0	690
(96)	**81,159**			**141**	**1,051**
95,436	**81,159**	**Total Expenditure**		**91,323**	**82,653**
(201)	**0**	**(Surplus) / Deficit for the year**		**(919)**	**2,828**
1,149	0	(Surplus) / Deficit brought forward at 1st April		948	0
948	**0**	**(Surplus) / Deficit carried forward at 31st March**		**29**	**2,828**

(1) Council Tax

2012/13 £000	Council Tax Table 69	2013/14 £000
104,765	**Opening Debit**	107,953
(20)	Less reduced debit	0
(2,715)	Exemptions	(1,677)
(6,738)	Discounts	(6,907)
(86)	Disabled relief	(90)
0	Council Tax Support	(7,480)
95,206	**Net Closing Debit**	**91,799**

(2) National Non-Domestic Rates

Between 1 April 1994 and 31 March 2012 each Authority received its National Non-Domestic rates (NNDR) income direct from the central pool rather than passing it through the Collection Fund. The entry in the Collection Fund relates to the Collection Fund contribution to the pool until 31 March 2013. From 1 April 2013 a new scheme was implemented whereby Business Rates collected by the Authority are now shared between Central Government, West Berkshire Council and The Fire Authority who precept directly on the Collection Fund.

2012/13	National Non-Domestic Rates	2013/14	
£000	Table 70	£000	£000
90,475	**Opening Debit**	**87,597**	
1,458	Plus additional debit	0	
91,933			87,597
(3,292)	Less empty and revalued properties	(2,048)	
(43)	Interest payments to the pool	0	
(1,019)	Transitional relief	461	
(6,324)	Mandatory relief	(6,052)	
(96)	Discretionary relief	(133)	
(10,774)			(7,772)
81,159	**Net Closing Debit**		**79,825**
255	Costs of Collection		257
1,502	Contribution to Bad Debt Provision		(357)
0	Contribution to Appeals Provision		690
79,402	Net Contribution to pool		0
81,159			**590**

The opening debit is arrived at by multiplying the total rateable value by the rate poundage (43.3 pence in the pound).

(3) Government Grants

A £443k (2012/13: 431k) grant with respect to Ministry of Defence properties was credited to the Collection Fund.

(4) Precepts & Demands

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

(5) Transfer to the General Fund

This represents a transfer to the General Fund in respect of the estimated deficit on the Collection Fund as at 31 March 2013. The deficit is shared between the precepting bodies, West Berkshire Council received £777k (2012/13: £824k), the Thames Valley Police £93k (2012/13: £99k) and the Fire Authority £33k (2012/13: £36k).

(6) 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.

Council Tax Base Table 71		Eand	Net Dwellings £0.00	Multiplier	Band D Equivalent £0.00
	Disabled	A	1.00	5/9	0.56
	up to £40,000	A	1,573.05	6/9	1,048.70
over £40,000	up to £52,000	E	3,916.91	7/9	3,046.46
over £52,000	up to £68,000	C	14,872.93	8/9	13,220.36
over £68,000	up to £88,000	D	14,823.57	9/9	14,823.57
over £88,000	up to £120,000	E	9,420.65	11/9	11,514.15
over £120,000	up to £160,000	F	6,238.89	13/9	9,011.73
over £160,000	up to £320,000	G	4,128.70	15/9	6,881.17
over £320,000		H	647.85	18/9	1,295.70
					60,842.40
	Adjustment for losses on collection			x	0.996
					60,599.03

Glossary

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

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

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

Amortised Cost: Most financial instruments (whether borrowing or investment) are valued in 2012/13 on an amortised costs basis using the effective interest rate (EIR) method.

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

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

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

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

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

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

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

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

CIPFA - Chartered Institute of Public Finance and Accountancy

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

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

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

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

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

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

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

Creditor - An individual or body to which the Council owes money at the Balance Sheet date.

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

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

Debtor - An individual or body that owes money to the Council at the Balance Sheet date.

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

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

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

Deposit - Receipt held that is repayable in prescribed circumstances.

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

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

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

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

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

Earmarked reserve - See Reserve.

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

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

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

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

Financial Rules of Procedure – outlines how West Berkshire should transact business

Fixed asset - An asset that yields benefits to the local authority and the services it provides for a period of more than one year.

Foundation schools - A category of school that receives its funding from the Council but owns its land and buildings and employs its own staff.

General Fund - The accumulated credit balance on the General Fund. It is the excess of income over expenditure in the Income and Expenditure Account after adjusting for movements to and from reserves and other non-cash items. This balance is needed as a cushion against unforeseen expenditure.

Government grant released - The reduction in the value of a Government grant deferred when the corresponding fixed asset is depreciated or disposed of.

Historical cost - The amount originally paid for a fixed asset.

Impairment loss - A loss arising from an event that significantly reduces an asset's value. An example is physical damage or a fall in market value.

Infrastructure asset - Fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. Examples of infrastructure assets are carriageways and footpaths.

Internal trading account - A service within the Council that operates on a trading basis with other parts of the Council.

International Financial Reporting Standards (IFRS) - International accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts, which came fully into effect from 1 April 2010.

Local Government Pension Scheme (LGPS) - The LGPS is a nationwide scheme for employees working in local government or working for other employers participating in the Scheme and for councillors.

Long-term borrowing - A loan repayable in more than one year from the Balance Sheet date.

Long-term debtor - An individual or body that owes money to the Council that is not due for payment within one year from the Balance Sheet date.

National business rates - Charges collected by district councils from non-domestic properties, at a national rate in the pound set by the Government. The proceeds are pooled nationally and redistributed to areas in proportion to their population.

Net assets - The amount by which assets exceed liabilities (same as net worth).

Net Book Value - The original cost of the item less accumulated depreciation for the item.

Net operating expenditure - Gross expenditure less fees and charges for services and specific grants but before the deduction of revenue support grant, national business rates and council tax income.

Non-current assets - An asset which is not easily convertible to cash or not expected to become cash within the next year.

Non-distributed costs - Overheads for which no user directly benefits and which are therefore not split between services.

Non-operational asset - A fixed asset held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, heritage assets or assets that are surplus to requirements, pending sale or development.

Operational asset - A fixed asset held and occupied, used or consumed by the Council in the direct delivery of services.

Operational lease - Under this type of lease, the risks and rewards of ownership of the leased goods stay with the lessor (the company leasing out the goods).

Past service cost - For a defined benefit pension scheme, the increase in the present value of the scheme's liabilities related to employee service prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pooled budget - Partners contribute a set amount of money to form a separate budget. The purpose and scope of the budget is agreed at the outset and then used to pay for relevant services and activities.

Post Balance Sheet event - Events that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Precept - The demand made by the County Council on the collection funds maintained by the district councils for council taxpayers' contribution to its services.

Private equity - Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e. not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Private Finance Initiative (PFI) - Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

Projected unit actuarial method - One of the common methods used by actuaries to calculate a contribution rate to the LGPS, which is usually expressed as a percentage of the members' pensionable pay.

Provisions - An estimated figure within the accounts for liabilities that are known to exist but cannot be measured accurately.

Realised capital resources - Usable capital resources arising mainly from the disposal of fixed assets.

Related party during the financial period - Two or more parties are related when:

- one party has direct or indirect control over the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to the extent that the other party may not be able to pursue its own interests at all times
- influence from the same source results in one of the parties entering into a transaction that is against its own separate interests.

Reserve - The Council's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Council's accounts for specific purposes.

Residual life - The assumed remaining life of a fixed asset used in calculating depreciation.

Revaluation reserve - Records unrealised net gains from asset revaluations after 1 April 2007.

Revenue contributions to capital - The use of revenue funds to finance capital expenditure.

Revenue expenditure - The operating costs incurred by the Council during the financial year in providing its day-today services. It is distinct from capital expenditure on projects that benefit the Council over a period of more than one financial year.

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

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

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

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

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

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

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

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

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

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

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

Abbreviations

AGS	Annual Governance Statement
AONB	Area of Outstanding Nature Beauty
CIPFA	Chartered Institute of Public Finance and Accountancy
DSG	Dedicated Schools Grant
FIAA	Financial Instruments Adjustment Account
FRICS	Fellow of The Royal Institute Of Chartered Surveyors
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
IAS	International Accounting Standards
IAS 16	Accounting for Property, Plant and Equipment
IFRS	International Financial Reporting Standards
IT	Information Technology
NBV	Net Book Value
NNDR	National Non-Domestic Rate
PFI	Private Finance Initiative
PWLB	Public Works Loans Board
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
SoA	Statement of Accounts
SORP	Statement of Recommended Practice
SeRCOP	Service Reporting Code of Practice, formally the Best Value Accounting Code of Practice
VAT	Value Added Tax
WBC	West Berkshire

Title of Report:	**Anti Social Behaviour, Crime and Policing Act 2014**
Report to be considered by:	Council
Date of Meeting:	18 September 2014
Forward Plan Ref:	C2886

Purpose of Report:

To appraise Members of the Anti Social Behaviour, Crime and Policing Act 2014 in relation to changes required to be made to the Council's Scheme of Delegation.

Recommended Action:

That the Council's Scheme of Delegation be amended as follows:

(i) That the Head of Culture and Environmental Protection, in consultation with the Head of Legal Services, be given delegated authority to serve Community Protection Notices in accordance with Part 4 of the Anti Social Behaviour, Crime and Policing Act 2014.

(ii) That the Council also delegate the serving of Community Protection Notices to Registered Social Landlords in accordance with Part 4 of the Anti Social Behaviour, Crime and Policing Act 2014.

(iii) That the Council also delegate the serving of Community Protection Notices and Fixed Penalty Notices in the event of a breach to Police Community Support Officers in accordance with Part 4 of the Anti Social Behaviour, Crime and Policing Act 2014.

(iv) That the Head of Legal Services, in consultation with the Head of Care Commissioning, Safeguarding and Housing, be given delegation authority to seek a Civil Injunction in accordance with Part 1 of the Anti Social Behaviour, Crime and Policing Act 2014.

(v) That the Head of Strategic Support, in consultation with the Head of Legal Services, be given delegated authority to make a PSPO in accordance with Chapter 2 of the Anti-Social Behaviour, Crime and

Policing Act 2014.

(vi) **That the Council's partners (Neighbourhood Wardens, Street Rangers etc) be approached to ascertain whether they intend to use the PSPO powers.**

(vii) **That the Head of Legal Services or his nominee, in consultation with the Head of Strategic Support, be granted delegated authority to issue a Closure Notice and apply for a Closure Order in accordance with Chapter 3 of the Anti-Social Behaviour, Crime and Policing Act 2014.**

Reason for decision to be taken:	To ensure that the Council's Scheme of Delegation reflects the requirements of the Anti Social Behaviour, Crime and Policing Act 2014.
Other options considered:	N/A
Key background documentation:	Anti Social Behaviour, Crime and Policing Act 2014

The proposals contained in this report will help to achieve the following Council Strategy priority:

☒ **CSP2 – Promoting a vibrant district**

The proposals will also help achieve the following Council Strategy principle:

☒ **CSP8 - Doing what's important well**

The proposals contained in this report will help to achieve the above Council Strategy priorities and principles by:
ensuring that the Council's Constitution is up to date and that the Council's overall governance is robust.

Portfolio Member Details	
Name & Telephone No.:	Councillor Graham Pask - Tel (01635) 864023
E-mail Address:	gpask@westberks.gov.uk
Date Portfolio Member agreed report:	

Contact Officer Details	
Name:	Alex O'Connor
Job Title:	Anti Social Behaviour Co-ordinator
Tel. No.:	01635 264608
E-mail Address:	ao'Connor@westberks.gov.uk

Implications

Policy:	The requirements of the Act will require new policies and procedures to be established and particularly processes with the Council's partners to ensure that duplication does not occur
Financial:	It is clear at this stage that there will be costs associated with the implementation of the Act going forward but it is difficult to assess the level. There is potential for increased workload in Legal and the Safer Communities Partnership
Personnel:	N/A
Legal/Procurement:	The Act requires effective delegation and processes to be in place in order to implement the wide ranging powers available. Consideration of evidential and other matters in a number of differing venues will involve careful assessment throughout the process. The Council is required to ensure that its constitution is up to date to ensure that its decision making is accountable and transparent.
Property:	N/A
Risk Management:	Ability to record evidence and procedures accurately and effectively across a variety of partner bodies will be necessary to ensure effective enforcement of the various Orders/Notices

Is this item relevant to equality? Please tick relevant boxes	**Yes**	**No**
Does the policy affect service users, employees or the wider community and:		
• Is it likely to affect people with particular protected characteristics differently?	☐	X
• Is it a major policy, significantly affecting how functions are delivered?	☐	X
• Will the policy have a significant impact on how other organisations operate in terms of equality?	☐	X
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?	☐	X
• Does the policy relate to an area with known inequalities?	☐	X
Outcome (Where one or more 'Yes' boxes are ticked, the item is relevant to equality)		
Relevant to equality - Complete an EIA available at www.westberks.gov.uk/eia		☐
Not relevant to equality		☐

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

Executive Summary

1. Introduction

1.1 The Anti Social Behaviour, Crime and Policing Act received Royal Assent on 13 March 2014. The Act proposed a number of reforms to existing legislation and to put the victim at the heart of the response to anti social behaviour and provide professionals with greater flexibility to deal with any given situation.

2. Proposals

2.1 The reforms set out in Parts 1-6 of the Act are intended to ensure that professionals from a number of agencies dealing with a variety of anti social behaviours have effective powers that are quick, practical and easy to use to provide better protection to victims and communities whilst acting as a deterrent to perpetrators. 19 existing powers are replaced with 6 simpler and more flexible ones but their implementation will require effective and coordinated consideration by all the agencies involved.

2.2 In adopting the powers it will be necessary to amend the Council's Scheme of Delegation (Part 3 of the Council's Constitution) and be aware of the additional pressures that could be placed on some services.

2.3 In setting out the new powers, this Council will always to seek restorative solutions to issues and only use these powers as a last resort.

3. Equalities Impact Assessment Outcomes

3.1 This item is not relevant to equality.

4. Conclusion

4.1 The Anti Social Behaviour, Crime and Policing Act 2014 requires the Council to adopt several provisions which will require the Scheme of Delegation (Part 3 of the Council's Constitution) to be amended but also require close and coordinated working with partner organisations.

Executive Report

1. Introduction

1.1 The Anti Social Behaviour, Crime and Policing Act 2014 received Royal Assent on 13 March 2014. The Act proposed a number of reforms to existing legislation and to put the victim at the heart of the response to anti social behaviour by providing professionals and organisations with greater flexibility to deal with any given situation.

1.2 The reforms set out in Parts 1-6 of the Act are intended to ensure that professionals have effective powers that are quick, practical and easy to use to provide better protection to victims and communities and act as a deterrent to perpetrators. 19 existing powers are replaced with 6 simpler and more flexible ones.

1.3 In setting out the new powers, this Council will always to seek restorative solutions to issues and only use these powers as a last resort. This will mean that appropriate Service Units across the Council and partners working with the people and communities affected by these powers must be engaged and involved in the decision making.

1.4 Attached to this report as Appendix A is a schematic which shows the old ASB powers which were in place and the new powers. The new powers are:

Community Protection Notice

1.5 A Community Protection Notice (CPN) is intended to deal with particular, ongoing problems or nuisances which negatively affect the community's quality of life by targeting those responsible. These include graffiti, rubbish and noise. A CPN does not discharge the Council from its duty to issue an Abatement Notice where the behaviour constitutes a statutory nuisance for the purposes of Part 3 of the Environmental Protection Act 1990.

1.6 The test to be applied in issuing a Community Protection Notice is broad and focuses on the impact anti social behaviour is having on victims and communities. A CPN can be issued by the Police, Council or registered social landlords if they are satisfied on reasonable grounds that the conduct of the individual, business or organisation:

(i) is having a detrimental effect on the quality of life of those in the community;

(ii) is persistent or continuing in nature; and

(iii) is unreasonable.

1.7 The Council will need to assess who is likely to use these powers the most in any given period and how the enforcement of them will be dealt with between the various agencies. It is suggested that a review takes place after 12 months to assess usage and determine whether or not the most effective procedures are in place.

1.8 Under the procedure outlined in the Guidance which accompanies the Act a written warning has to be served followed by the CPN then at a later stage a Fixed Penalty

Notice (FPN) may be issued for non-compliance. In addition the CPN can be appealed within 21 days of service. All these processes need to be recorded and evidenced and the Council and its partners will need to ensure that there is an effective monitoring arrangement in place because of the appeal process and potential for prosecution. Some form of ‘gate keeping’ arrangement may be required in order to avoid duplicate actions by partner organisations

1.9 Failure to comply with a CPN can result in one of the following sanctions:

(i) Fixed Penalty Notice

(ii) Remedial Action

(iii) Remedial Orders

(iv) Forfeiture Orders

(v) Seizure

Recommendations:

(i) That the Head of Culture and Environmental Protection, in consultation with the Head of Legal Services, be given delegated authority to serving Community Protection Notices in accordance with Part 4 of the Anti Social Behaviour, Crime and Policing Act 2014.

(ii) That the Council also delegate the serving of Community Protection Notices to Registered Social Landlords in accordance with Part 4 of the Anti Social Behaviour, Crime and Policing Act 2014.

(iii) That the Council also delegate the serving of Community Protection Notices and Fixed Penalty Notices in the event of a breach to Police Community Support Officers in accordance with Part 4 of the Anti Social Behaviour, Crime and Policing Act 2014.

Civil Injunction

1.10 The injunction is a civil power which can be applied for to deal with anti social behaviour. It replaces six orders formerly available to the Council and Police. A civil injunction can offer fast and effective protection for victims and communities and set a clear standard of behaviour for perpetrators, stopping the person’s behaviour from escalating.

1.8 A number of agencies can apply for Civil Injunctions. These include:

(i) Local Authority

` (ii) Housing provider

(iii) The chief of police for the local area

(iv) The chief constable of the British Transport Police

(v) Transport for London

(vi) The Environment Agency

(vii) NHS Protect

1.11 Anyone seeking to apply for a civil Injunction must have evidence (to the civil standard of proof – on the balance of probabilities) that the respondent is engaged in or threatened to engage in those activities set out below:

(i) conduct that has caused, or is likely to cause harassment, alarm or distress to any person;

(ii) conduct capable of causing nuisance or annoyance to a person in relation to that person's occupation of residential premises; or

(iii) conduct capable of causing housing related nuisance or annoyance to any person.

Note:

(ii) only applies where the injunction is applied for by a housing provider, local authority or chief officer of police.

(iii) only applies where the injunction is applied for by a housing provider or local authority.

1.12 Unlike other proposals in the Act this process is applied through the County Court for persons over 18 and in the Youth Court for under 18's. Evidence and statements from witnesses will be required to support the application but will also vary depending upon the type of conduct which it is sought to restrict such as harassment or causing annoyance to the occupation of premises. It is clear that the latter would be of use to the Council and to social housing providers. The procedure is indicated to be swift but a good deal of preparation will be required before going before the Court as well as ensuring an urgent date can be obtained.

1.13 Where any action is to be taken against a person under 18 years old in a Youth Court then the Youth Offending Team should be part of the decision making process.

Recommendation:

That the Head of Legal Services, in consultation with the Head of Care Commissioning, Safeguarding and Housing, be given delegated authority to seek a Civil Injunction in accordance with Part 1 of the Anti Social Behaviour, Crime and Policing Act 2014.

Public Spaces Protection Order

1.14 The Public Spaces Protection Order (PSPO) is designed to stop individuals or groups committing anti-social behaviour in a public space. Local Authorities alone are able to issue PSPO after consultation with the Police and Police and Crime Commissioner. An effective means of consultation will be required to ensure quick effective and recorded consultation takes place for evidential purposes at later stages in the process.

1.15 PSPO's can have blanket restrictions or requirements applied or can be targeted against certain behaviours by certain groups and at certain times. PSPO's can restrict access to public rights of way where that route is being used to commit anti-social behaviour. They can last for up to three years but any individual has the right to appeal to the High Court on the grounds that the Council did not have the power to make the order or included a particular prohibition which was inapplicable or could challenge whether or not effective consultation which had been carried out.

1.16 In seeking a PSPO the behaviour being restricted has to:

(i) Be having, or be likely to have, a detrimental effect on the quality of life of those in the locality;

(ii) Be persistent or continuing in nature; and

(iii) Be unreasonable.

1.17 Breaching a PSPO is a criminal offence and for those enforcing, either Council or Police officers they may issue a fixed penalty notice of up to £100 if appropriate. A fine of up to £1,000 can also be imposed on prosecution. Again there will be a need to ensure adequate recorded evidence is available for potential future Court proceedings

Recommendation:

(i) That the Head of Strategic Support, in consultation with the Head of Legal Services, be given delegated authority to make a PSPO in accordance with Chapter 2 of the Anti-Social Behaviour, Crime and Policing Act 2014.

(ii) That the Council's partners (Neighbourhood Wardens, Street Rangers etc) be approached to ascertain whether they intend to use the PSPO powers and once established the Head of Strategic Support be given delegated authority.

Closure Power

1.18 The Closure Power allows the Police or Council to quickly close premises which are being used, or likely to be used to commit nuisance or disorder. A Closure Notice is issued out of Court in the first instance. Flowing from this the Closure Order can be applied for through the Magistrates Court.

1.19 Both the Council and Police can issue a Closure Notice (CN) and guidance requires that it must be approved at a senior officer level for those issuing CN's of 24 hours. Following the issue of a CN the legislation requires that a series of notifications must be undertaken once a CN has been served particularly if the intention is to seek a Closure Order (CO). The Magistrates Court is required to hear the application within 48 hours and this will require close working with the Court Service

1.20 In addition before serving a CN or seeking a CO the Council and police must ensure that they consult widely including the victim, community representatives other organisations and users of the premises under investigation. Record keeping and evidential matters will be a key consideration and an agreed procedure will need to be established with partner bodies.

1.21 A notice can close a premise for up to 49 hours out of court but cannot stop the owner or those who live there accessing the premises. An order can close premises up to 6 months and can restrict all access. Both the Notice and the Order can cover any land or any other place, whether enclosed or not including residential, business and licensed premises.

1.22 Breaching a Closure Order will be a criminal offence. Breaching a Notice can carry a custodial sentence of up to 3 months and breaching an Order 6 months in prison. Both carry an unlimited fine for residential and non-residential premises.

1.23 Prior to seeking a Closure Order, it will be important that appropriate service units in the Council (eg Children's Services and Housing - where this relates to residential premises) are consulted.

Recommendation:

(i) **That the Head of Legal Services or his nominee, in consultation with the Head of Strategic Support, be granted delegated authority to issue a Closure Notice and apply for a Closure Order in accordance with Chapter 3 of the Anti-Social Behaviour, Crime and Policing Act 2014**.

1.24 **Conclusion**

The provisions of the 2014 Act will give the Council and its partner organisations a more effective means of tackling anti social behaviour in certain areas where it is prevalent. However there will be a need for an effectively coordinated monitoring process to be established with partner bodies and the requirement for a single point of contact within the Council. It will be essential that all officers involved in these new process are effectively trained and that the additional workload is monitored in the first year of operation.

Appendices

Appendix A - Schematic of old ASB powers and the new powers that have replaced them.

Consultees

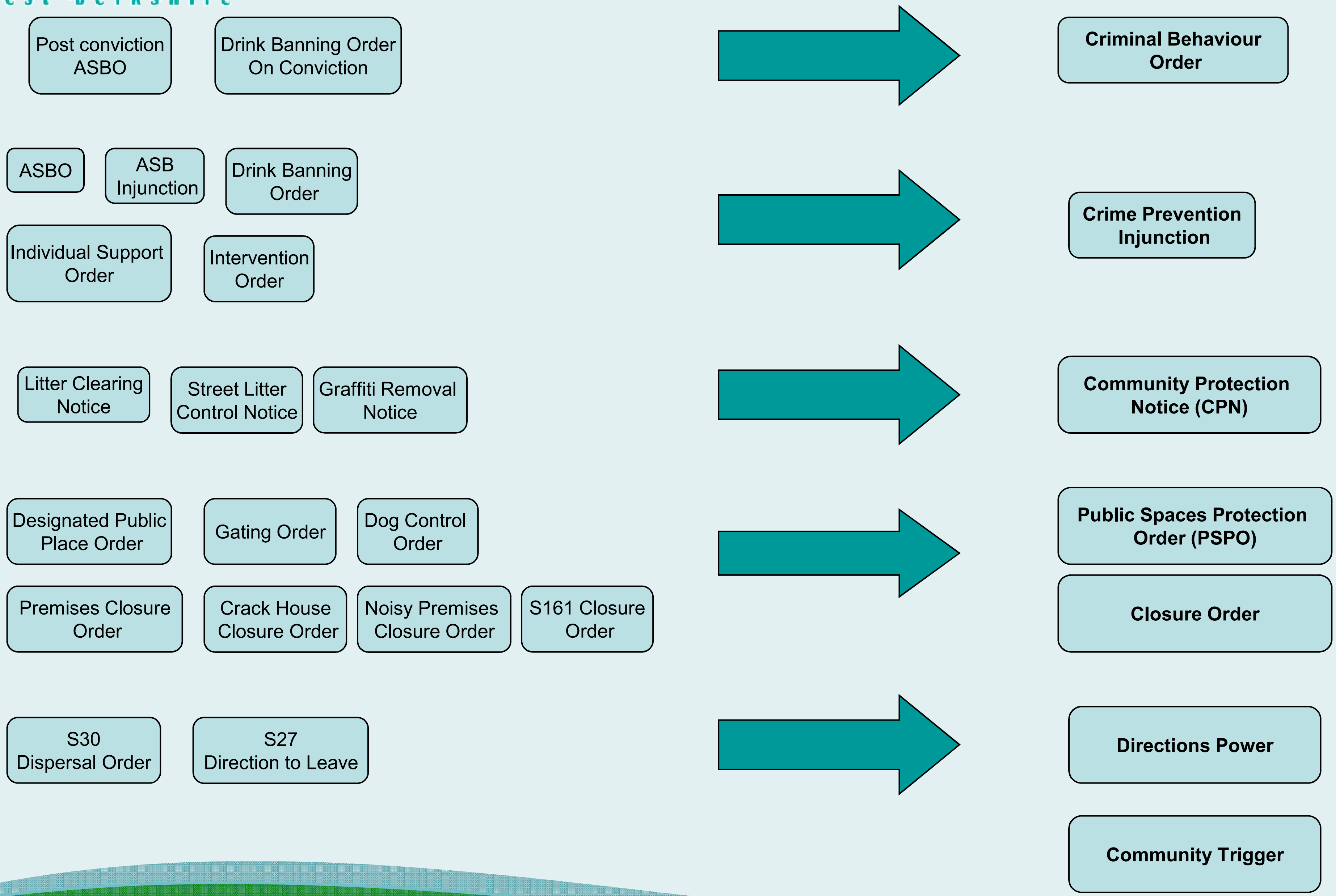
Local Stakeholders:

Officers Consulted: Andy Day David Holling

Trade Union:

This page is intentionally left blank

SAFER COMMUNITIES
PARTNERSHIP
West Berkshire



This page is intentionally left blank