

# Notice of Meeting

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## **Governance and Audit Committee**

**Monday, 10th September, 2012 at  
6.00 pm in Council Chamber Council  
Offices Market Street Newbury**

Date of despatch of Agenda: Friday, 31 August 2012

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

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Further information and Minutes are also available on the Council's website at [www.westberks.gov.uk](http://www.westberks.gov.uk)



**Agenda - Governance and Audit Committee to be held on Monday, 10 September 2012**  
(continued)

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

**Substitutes:** Councillors Peter Argyle, Brian Bedwell, Alan Macro and David Rendel

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# Agenda

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2. <b>Minutes</b> To approve as a correct record the Minutes of the meeting of this Committee held on 09 July 2012.	1 - 4
3. <b>Declarations of Interest</b> To receive any Declarations of Interest from Members.	
4. <b>KPMG Annual Governance Report (ISA 260+)</b> To inform Members of KPMG progress in auditing the financial statements and the opinion KPMG propose to give to the financial statements.	5 - 30
5. <b>West Berkshire Council Financial Statements 2011-12</b> To provide Members with the final copy of the Council's Financial Statements.	31 - 102
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**Agenda - Governance and Audit Committee to be held on Monday, 10 September 2012**  
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9. **Annual Governance Statement - Statement in Support by the Section 151 Officer (GA2539)** 187 - 192  
*Purpose: To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the S151 Officer.*
10. **Annual Governance Statement - Statement in Support by the Monitoring Officer (GA2540)** 193 - 200  
*Purpose: To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.*
11. **Annual Governance Statement 2011/12 (GA2524)** 201 - 210  
*Purpose: To review the Annual Governance Statement.*

Andy Day  
Head of Strategic Support

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

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



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## **GOVERNANCE AND AUDIT COMMITTEE**

### **MINUTES OF THE MEETING HELD ON MONDAY, 9 JULY 2012**

**Councillors Present:** Jeff Beck (Chairman), Paul Bryant, David Holtby, Tony Linden, Alan Macro (Substitute) (In place of Julian Swift-Hook), Tony Vickers and Quentin Webb

**Also Present:** Andy Day (Head of Strategic Support) and Ian Priestley (Chief Internal Auditor),

**Apologies for inability to attend the meeting:** Councillor Julian Swift-Hook

#### **PART I**

#### **3. Minutes**

The Minutes of the meetings held on 20 February and 10 May 2012 were approved as a true and correct record and signed by the Chairman subject to the word “onlu” in minute 26 (second sentence) being amended to read “only”.

#### **4. Declarations of Interest**

There were no declarations of interest received.

#### **5. Internal Audit - Annual Report 2011-12 (GA2499)**

The Committee considered a report, agenda item 4 concerning an opinion from the ‘Head of Internal Audit’ on the Council’s internal control framework which provided support to the Annual Governance Statement.

Ian Priestley in introducing the item reported that of the issues identified via reviews in the year, only one area (Grounds Maintenance) had been reported as weak. The follow up action had now seen this area declared as “satisfactory”.

**RESOLVED that:** the report be noted.

#### **6. Internal Audit Plan 2012-15 (GA2477)**

*(Note: Councillor Tony Vickers arrived at the meeting at 6.25pm)*

The Committee considered a report, agenda item 5 concerning a proposed programme of Internal Audit work for 2012-2015.

Ian Priestley in introducing the item reported that the Plan focussed on perceived key areas of risk across the Council. Furthermore this work would also help to shape the work of the external auditor which, in turn, reduced the Council’s overall external audit costs.

The Committee noted the proposed programme of reviews which would cover the period 2012-2013. Councillor Tony Vickers questioned whether the asset management issues associated with Parkway had been discussed. It was agreed that this matter should be progressed via the Resource Management Working Group which had been discussing the issue.

**RESOLVED that:** the work programme for 2012-2015 be approved.

**7. Annual Review of Internal Audit (GA2476)**

The Committee considered a report, agenda item 6 concerning the annual review of the Council's Internal Audit service.

Ian Priestley in introducing the item reported that he was required under the Accounts and Audit Regulations to provide an annual review of the Audit Service of the Council. This review took the form of a self assessment of the Internal Audit Service by the Chief Internal Auditor, which was then reviewed by the Finance and Governance Group.

Ian Priestley reported that the only issue was one of resilience given that the resources available to him were at the bare minimum. Ian Priestley reported that he was exploring ways of providing more resilience which could involve working with neighbouring authorities. This approach would not only help to provide some resilience, but also development opportunities for staff.

**RESOLVED that:** the review be noted.

**8. Recording of Questions and Answers at Council and Executive Meetings**

The Committee considered a report, agenda item 7 concerning putting mechanisms in place to ensure that questions and answers at Council and Executive were recorded accurately.

Tony Vickers reported that he was concerned at the recent problems associated with the recording of Executive questions and answers and questioned whether a more reliable device should be procured.

Andy Day reported that the system used was reliable with only two issues arising in 18 months. The recent incident was caused by someone adjusting the controls within the cabinet located with the Council Chamber. Someone had effectively turned the volume controls down to zero, which had meant the recording device had not picked up any of the questions or answers. This problem had only recently been identified by engineers who had been asked to resolve the problem.

Andy Day reported that a new recording device had been procured and he would ensure that a notice was displayed on the cabinet, reminding staff not to adjust the settings. In relation to the recordings, Andy Day confirmed that each recording was kept until immediately following the next meeting of the Executive when this was wiped clean.

**RESOLVED that:** the current situation in relation to the recording of questions and answers at meetings of the Executive and Council Executive be noted.

**9. Amendment to Start Time of Budget Setting Council Meeting**

The Committee considered a report, agenda item 8 which proposed an earlier start time for the annual budget setting Council meeting in March.

Tony Vickers reported that the annual Council budget meeting held in March was one of the most important meetings of the year yet very often the meeting had to rush items through in order to finish before 10.00pm. As a consequence of this, he suggested that Council be asked to start this meeting at 6.30pm rather than 7.00pm.

**RESOLVED that:** Council be requested to agree to the March meeting (budget meeting) starting at 6.30pm in the future.

**10. To Consider Returning to the Committee System**

The Committee considered a report, agenda item 9 concerning a request to carry out a review in relation to returning to a Committee System of Governance.

Tony Vickers reported that the Localism Act 2011 now made it possible for Local Authorities operating an Executive and Scrutiny form of governance, to return to a committee system of governance prior to the next elections. The Bill was originally drafted so that any changes in governance structures could not be implemented until the next ordinary elections which in West Berkshire's case was 2015.

**RESOLVED that:** Council be requested to determine whether they wished to have a review undertaken of the current governance arrangements, with a view to returning to a committee system of governance.

*(The meeting commenced at 6.00pm and closed at 7.15pm)*

**CHAIRMAN** .....

**Date of Signature** .....

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# Agenda Item 4.

<b>Title of Report:</b>	<b>KPMG's Annual Governance Report (ISA 260+)</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	10th September
<b>Forward Plan Ref:</b>	N/a

**Purpose of Report:** To inform Members of KPMG progress in auditing the financial statements and the opinion KPMG propose to give to the Financial Statements.

**Recommended Action:** To note and comment upon the report.

**Reason for decision to be taken:** Audit Commission Act  
Accounts and Audit regulations

**Other options considered:** none

**Key background documentation:** None

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

**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 performance monitoring framework is adhered to.

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

Contact Officer Details	
<b>Name:</b>	Joseph Holmes
<b>Job Title:</b>	Chief Accountant
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## Implications

**Policy:** n/a

**Financial:** Some movements have been recommended and the Financial Statements have been amended

**Personnel:** n/a  
**Legal/Procurement:** n/a  
**Property:** n/a  
**Risk Management:** n/a  
**Equalities Impact Assessment:** Completed; no decision required

<b>Is this item subject to call-in?</b>	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
<p>If not subject to call-in please put a cross in the appropriate box:</p> <p>The item is due to be referred to Council for final approval <input type="checkbox"/></p> <p>Delays in implementation could have serious financial implications for the Council <input type="checkbox"/></p> <p>Delays in implementation could compromise the Council's position <input type="checkbox"/></p> <p>Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months <input type="checkbox"/></p> <p>Item is Urgent Key Decision <input type="checkbox"/></p> <p>Report is to note only <input checked="" type="checkbox"/></p>		

## **Executive Summary**

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### **1. Introduction**

- 1.1 The Council's external auditors, KPMG (who are appointed by the Audit Commission) are required to present the findings of their audit of the Council's Financial Statements and interim systems work to members.
- 1.2 The Governance and Audit committee have delegated responsibility to receive KPMG's report and approve the Council's Financial Statements (see later item).
- 1.3 This item is considered before the approval of the Financial Statements so that members of the Committee are aware of KPMG's findings of the audit before deciding on whether to approve the Financial Statements.

### **2. Proposals**

- 2.1 KPMG have highlighted that their audit opinion is unqualified (i.e. there are no material unadjusted items contained within the Financial Statements). Members of the Governance and Audit Committee are asked to note the report and ask any questions of KPMG on the findings of their audit and the processes in place to produce the Financial Statements.

### **3. Equalities Impact Assessment Outcomes**

- 3.1 There is no decision to be made and therefore no Equality Impact Assessment has been undertaken.

### **4. Conclusion**

- 4.1 KPMG have concluded that their audit opinion is unqualified. Any items that they have found during the course of the audit are highlighted in their summary report. All findings have been adjusted for in the final copy of the Financial Statements.

## **Appendices**

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Appendix A – KPMG Report to those charges with Governance (ISA260+) 2011/12

## **Consultees**

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**Local Stakeholders:** N/a  
**Officers Consulted:** N/a  
**Trade Union:** N/a

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*cutting through complexity™*

# Report to those charged with governance (ISA 260) 2011/12

West Berkshire Council

30 August 2012

The contacts at KPMG  
in connection with this  
report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://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 Andy Sayers, 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](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, telephone (minicom) 020 7630 0421.

This report summarises:

- the key issues identified during our audit of West Berkshire Council's ('the Authority's') financial statements for the year ended 31 March 2012; and
- our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

**Financial statements**

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



We previously reported on our work on the first two stages to management, there were no significant matters to report. Where appropriate findings are included in this report.

This report focuses on the final two stages: substantive procedures and completion. It also includes any additional findings in respect of our control evaluation that we have identified since we conducted our interim work in March.

Our final accounts visit on site took place between 16 July 2012 and 17 August 2012. During this period, we carried out the following work:

**Substantive Procedures**

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

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

**Completion**

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

**VFM conclusion**

We have also now completed our work in respect of the 2011/12 VFM conclusion.

**Structure of this report**

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2011/12 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

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

**Acknowledgements**

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

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

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2012. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	<p>Our audit has identified a total of five audit adjustments with a total value of £2.4 million. The impact of these adjustments is to:</p> <ul style="list-style-type: none"> <li>■ Increase the deficit on the bottom of the I&amp;E for the year by £1.0 million; and</li> <li>■ Increase the net worth of the Authority as at 31 March 2012 by £2.4 million.</li> </ul> <p>We have included a full list of significant audit adjustments at Appendix 3. All of these were adjusted by the Authority. We have not raised any recommendations in relation to the matters highlighted above.</p> <p>We noted that the Authority has written out a number of assets in year due to historic errors within its asset register. We have raised a recommendation regarding this and this can be seen in Appendix 1.</p>
Critical accounting matters	We have worked with Officers throughout the year to discuss specific risk areas. The Authority has addressed the issues appropriately.
Accounts production and audit process	We have noted an improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our <i>ISA 260 Report 2010/11</i> .
Completion	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> <li>■ <i>Confirmation from the RBWM PF actuary that the value of the longevity scheme in the pension scheme assets is appropriate.</i></li> <li>■ <i>Review of the Council's Whole of Government Accounts submission</i></li> </ul> <p>Before we can issue our opinion we require a signed management representation letter and need to complete our post balance sheet events review up to the date of signing.</p> <p>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.</p>
VFM conclusion	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 2012.



Our audit has identified a total of five audit adjustments to date.

The impact of these adjustments is to:

- Increase the deficit on the provision of services for the year by £1.0 million; and
- Increase the net worth of the Authority as at 31 March 2012 by £2.4 million.

#### Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 30 September 2012.

#### Audit differences

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

Our audit identified a total of five significant audit differences, which we set out in Appendix 3. It is our understanding that these will be adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and Balance Sheet as at 31 March 2012.

The net impact on the General Fund as a result of audit adjustments is nil.

There are no unadjusted audit differences.

Movements on the General Fund 2011/12			
£m	Pre-audit	Post-audit	Ref (App.3)
Deficit on the provision of services	53.1	54.1	1,2,3
Adjustments between accounting basis & funding basis under Regulations	(50.8)	(50.9)	1,2,3,4
Transfers from earmarked reserves	(2.2)	(3.1)	1
<b>Decrease in General Fund</b>	<b>0.1</b>	<b>0.1</b>	

Balance Sheet as at 31 March 2012			
£m	Pre-audit	Post-audit	Ref (App.3)
Property, plant & equipment	449,471	452,719	2,3
Other long term assets	264	264	
Current assets	18,849	19,502	
Current liabilities	(41,859)	(42,242)	5
Long term liabilities	(269,205)	(270,010)	1,5
<b>Net worth</b>	<b>157,790</b>	<b>160,233</b>	
General Fund	(7,780)	(7,780)	
Other reserves	(150,010)	(152,453)	1,2,3
<b>Total reserves</b>	<b>157,790</b>	<b>160,233</b>	

One issue identified with regard to the treatment of the Council's PFI scheme required material corrections to the Council's unusable reserves. The net overall impact on net worth was not material.

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

Of the other audit adjustments we have identified, the most significant in monetary value impacting on the prime statements are as follows:

- Removal of St Bart's Academy assets £1,973k
- Correcting the treatment of two further Academy schools as disposals rather than impairments £3,382k
- Corrections to bringing the PFI on balance sheet £5,221k. While the net impact is not material this did require material adjustments to the Council's unusable reserves.
- Creating a provision for the recent MMI ruling £805k

Further changes identified related to disclosure notes including:

- Revisions to the grants Note 7b to include accrued amounts £1,933k
- Correcting a pension note 9c figure posting in the wrong direction £2,816k

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 2011/12 (the Code)*. We understand that the Authority will be addressing these where significant.

#### **Annual Governance Statement**

We have reviewed the Annual Governance Statement and confirmed that:

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

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

In our External Audit Plan 2011/12, presented to you in January we identified the key risks affecting the Authority's 2011/12 financial statements. We have now completed our testing of these areas and set out our final evaluation following our work. The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
<div style="text-align: center;"> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Reserves and balances</li> <li>■ Provisions</li> </ul> </div>	<p><b>Risk</b></p> <p>As at December 2011, the Authority was forecasting that it would overspend against its 2011/12 revenue budget by £443k. Actions taken in year include savings made through a dedicated programme which included a redundancy scheme. The main area of overspend was Adult Social Care by £1,705k early in the financial year with other services forecasting close to or below breakeven.</p> <p>The Authority estimated that further savings needed to be achieved during 2012/13 to address the further reductions to local authority funding. Against a backdrop of continued demand pressures in Adult Social Care it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p>	<p><b>Our audit work</b></p> <p>In conjunction with our VFM work we critically assessed the controls the Authority has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Authority can continue to provide services effectively.</p> <p>In the latter part of 2011-12 actions taken by the Authority to address the pressures arising from Adult Social Care proved effective and there was limited net movement on the year end general fund balance year on year. The Authority is performing in line with its Adult Social Care budgets for 2012-13 and we are satisfied that appropriate action is being taken to address financial pressures.</p>

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

Key audit risk	Issue	Findings
	<p><b>Risk</b></p> <p>The 2011/12 Code included a number of accounting changes, including a new requirement to carry 'heritage assets' at valuation. Heritage assets include historical buildings, museum and gallery collections and works of art.</p> <p>The 2011/12 Code also clarified requirements in a number of areas where ambiguity was identified in the 2010/11 Code.</p>	<p><b>Our audit work</b></p> <p>Our year end audit work identified that the Authority had introduced the new Code requirements appropriately.</p>

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

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

The Authority has implemented all of the recommendations in our *ISA 260 Report 2010/11* relating to the financial statements.

**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
<b>Accounting practices and financial reporting</b>	The Authority has strengthened its financial reporting process through review of its accounts format and review of its grant recognition procedures. We consider that accounting practices are appropriate.
<b>Completeness of draft accounts</b>	We received a complete set of draft accounts on 28 June 2012.
<b>Quality of supporting working papers</b>	Our <i>Accounts Audit Protocol</i> , which we issued on 19 January 2012 and discussed with the Authority set out our working paper requirements for the audit. The quality of working papers provided largely met the standards specified in our <i>Accounts Audit Protocol</i> .
<b>Response to audit queries</b>	Officers resolved audit queries in a reasonable time.

**Prior year recommendations**

The Authority has now implemented all of the recommendations in our *ISA 260 Report 2010/11* relating to the financial statements. Appendix 2 provides further details.

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

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

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

### **Declaration of independence and objectivity**

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

In relation to the audit of the financial statements of West Berkshire Council for the year ending 31 March 2012, we confirm that there were no relationships between KPMG LLP and West Berkshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

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

### **Management representations**

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer, a draft of which is reproduced in Appendix 5. We require a signed copy of your management representations before we issue our audit opinion.

This letter seeks a specific representation that, following the £3.7m of write outs in year, you are satisfied that the remaining assets in your asset register are materially correct.

### **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 etc.).

There are no other 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 2011/12 financial statements.



**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.**

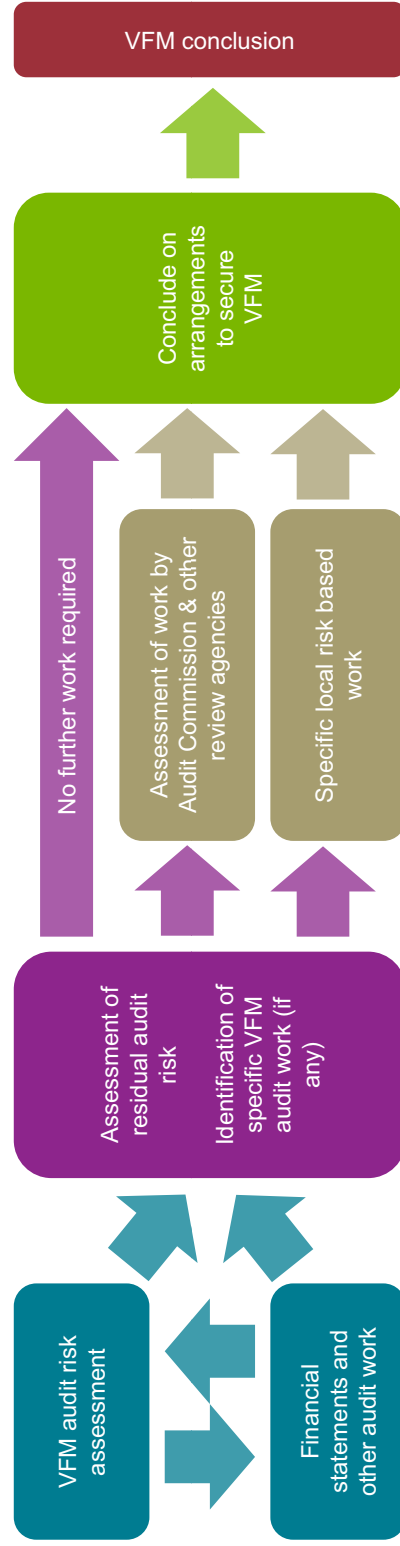
**Background**

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.



**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
<b>Securing financial resilience</b>	✓
<b>Securing economy, efficiency and effectiveness</b>	✓

We noted key risks in our External Audit Plan 2011/12. As we were satisfied that in all cases, sufficient work in relation to these risks had been carried out by the Authority, the Audit Commission, other inspectorates or review agencies to mitigate the residual audit risks for our VFM conclusion, we concluded that we did not need to carry out any specific additional work ourselves.

## 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.

Priority rating for recommendations	
<p><b>1</b> <b>Priority one:</b> 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.</p>	<p><b>2</b> <b>Priority two:</b> 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.</p>
<p><b>3</b> <b>Priority three:</b> 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.</p>	

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	<p><b>2</b></p> <p><b>Observation</b></p> <p>During our work on disposals we noted that £3.7m of net assets were written out by the Council in year with regard to items that had been included or remained in its records in error.</p> <p><b>Risk</b></p> <p>While this is not material and we have sought specific representation regarding any such residual items this indicates that the asset register from which the accounts figures are derived is not fully reconciled with underlying asset records.</p> <p><b>Recommendation</b></p> <p>We recommend that the Council seek to fully reconcile their asset register with underlying records in order to confirm all remaining assets exist.</p>	<p>The Council is undertaking an exercise to ensure that the new asset management system is fully reconciled to the Financial Asset Register.</p> <p>Officer responsible : Joseph Holmes</p> <p>Due date: 31/03/2013</p>	



## Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2010/11*.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2010/11* and reiterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	2
Implemented in year or superseded	2
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
1	3	<p><b>Format of the Accounts</b></p> <p><b>Observation</b></p> <p>The accounts submitted for audit largely follow the format of the prior year UK GAAP compliant accounts. While these have been adapted for IFRS transition there are a number of areas where the CIPFA template guidance in their "<i>Example Financial Statements and Notes to the Accounts for Local Authorities 2010-11</i>" could be more closely adopted both to aid the accounts preparation process and the ease of use of the accounts for the reader.</p> <p><b>Risk</b></p> <p>Accounts are not presented in a format that is easily understood by readers.</p> <p><b>Recommendation</b></p> <p>We recommend that moving forward the Council reviews the disclosures in its accounts and considers revising these to the more simplified format suggested by CIPFA in areas where it considers this to be appropriate. This includes reflection on the balance of information presented between the notes and primary financial statements.</p>	Joseph Holmes 31/03/2012	Implemented. The Council's Financial Accountant conducted a review of the format of the accounts in year and this has led to a reduction in the size of the accounts and improved readability.

## Appendix 2: Follow up of prior year recommendations (continued)

The Authority has implemented all of the recommendations in our *ISA 260 Report 2010/11*.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
2	<p>②</p>	<p><b>Capital Grants</b>  <b>Observation</b>                      Within the creditors figure in the accounts received for audit were £25m of amounts relating to capital grants received in advance. Under the new IFRS guidance £21m of these should have been released to income as they did not have conditions attached whereby they would be likely to be repaid.</p> <p><b>Risk</b>                      Grant income is not realised in the appropriate financial year and the Authority's surplus is therefore understated.</p> <p><b>Recommendation</b>                      The Council should develop an evidenced process for reviewing all new grant income and assessing whether it has conditions attached.</p>	<p>Joseph Holmes 31/03/2012</p>	<p>Implemented.                      The Council have revised their grants recognition processes in year and no such similar errors have arisen during current year testing.</p>

## Appendix 3: Audit differences

This appendix sets out the significant audit differences. It is our understanding that all of these will be adjusted.

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

### Corrected audit differences

The following table sets out the significant audit differences identified by our audit of West Berkshire Council's financial statements for the year ended 31 March 2012.

No.	Impact (£'000)					Basis of audit difference (£'000)
	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
1	Dr Non Distributed Costs £805			Cr Provisions £805	Dr Earmarked Reserves £805	The Authority had put aside amounts to fund potential MMI judgment in its earmarked reserves. However, these met the criteria of a provision and should have been treated as such. This decreases the net balance sheet worth of the Authority by £805.
2	Cr Culture, Environmental, Regulatory and Planning Services Expenditure £5,221	Dr General Fund £5,221 Cr PFI Reserve £5,221	Dr PPE £5,221		Dr Capital Adjustment Account £20,428 Cr PFI Reserve £25,649	Corrections to the treatment of the PFI asset brought on line in year. This increases the net balance sheet worth of the Authority by £5,221.
3	Dr Academy Schools Removed £1,973	Cr General Fund £1,973 Dr Capital Adjustment Account £1,973	Cr PPE £1,973		Dr Capital Adjustment Account £1,973	Removal, from the Authority's balance sheet, of St Bart's School which became an Academy in year. This decreases the net balance sheet worth of the Authority by £1,973.

## Appendix 3: Audit differences (continued)

### Corrected audit differences (continued)

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact (£'000)			Basis of audit difference (£'000)
			Assets	Liabilities	Reserves	
4	Cr Non Distributed Costs £31,245 Cr Surplus on Revaluation of Fixed Assets (Revaluation Reserve) £3,382 Dr Academy Schools Removed £34,627	Cr General Fund £3,382 Dr Revaluation Reserve £3,382				Revising the categorization to ensure that Academy schools written out are treated consistently throughout the accounts as a disposal rather than an impairment. This has no bottom line impact on the net worth of the Authority.
5			Dr Cash and Cash Equivalents £653	Cr Cash and Cash Equivalents £653		As the Authority's year end net cash position was overdrawn the figure should be moved from assets to liabilities. This has no bottom line impact on the net worth of the Council.
	<b>Cr £2,443</b>	<b>£0</b>	<b>Dr £3,248</b>	<b>Cr £805</b>	<b>Cr £2,443</b>	<b>Total impact of corrected audit differences</b>

There are no uncorrected audit differences.

## Appendix 4: Declaration of independence and objectivity

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

### Requirements

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

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

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

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. 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 Audit Partner and the audit team.

### General procedures to safeguard independence and objectivity

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

## Appendix 4: Declaration of independence and objectivity (continued)

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

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

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

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

### Auditor declaration

In relation to the audit of the financial statements of West Berkshire Council for the financial year ending 31 March 2012, 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 ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.**

**The wording for these representations is prescribed by auditing standards.**

**We require a signed copy of your management representations before we issue our audit opinion.**

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 2012, 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 2012 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 2011/12.

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

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

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

### Financial statements

- 1) The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
  - give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority’s expenditure and income for the year then ended; and
  - have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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.

- 3) All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 requires adjustment or disclosure have been adjusted or disclosed.

## Appendix 5: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

### Information provided

4) The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

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

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

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.

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

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

- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

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

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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 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 and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.



## Appendix 5: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that:
- are statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - are funded or unfunded; and
  - are approved or unapproved,

have been identified and properly accounted for; and

- b) all settlements and curtailments have been identified and properly accounted for.

### Specific Representation

12) The Authority is satisfied that, following the £3.7m of write outs of fixed assets in year the remaining assets in the asset register are materially correct.

This letter was tabled and agreed at the meeting of the Governance and Audit Committee on 10 September 2012.

Yours faithfully,

**Chair of the Governance and Audit Committee**

**Head of Finance**



*cutting through complexity™*

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# Agenda Item 5.

<b>Title of Report:</b>	<b>West Berkshire Council Financial Statements 2011-12</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	10th September 2012
<b>Forward Plan Ref:</b>	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:** Accounts 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 principle:

**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	
<b>Name &amp; Telephone No.:</b>	Councillor Alan Law - Tel (01491) 873614
<b>E-mail Address:</b>	alaw@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	

Contact Officer Details	
<b>Name:</b>	Joseph Holmes
<b>Job Title:</b>	Chief Accountant
<b>Tel. No.:</b>	01635 519474
<b>E-mail Address:</b>	jholmes@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:**

<b>Is this item subject to call-in?</b>	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input checked="" type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	
Report is to note only	<input type="checkbox"/>	

## Executive Summary

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### 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 2011-12 financial year.
- 1.2 The s151 officer approved the draft Financial Statements in June 2012 and these have been published since this period online. KPMG have completed their audit over the Summer period (see the results of this in the previous item) and have issued an unqualified opinion on 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 earlier than the statutory deadline to members of the Committee due to giving KPMG sufficient working papers on time, and because KPMG have managed to finalise their 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 nearly three weeks in advance of the statutory deadline of the 30th September.

## Appendices

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Appendix A – Equality Impact Assessment – Stage 1

Appendix B - Financial Statement of Accounts 2011/12

## Consultees

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**Local Stakeholders:** N/a

**Officers Consulted:** N/a

**Trade Union:** N/a

# APPENDIX A

## Equality Impact Assessment – Stage One

<b>Name of item being assessed:</b>	Financial Statements 2011-12
<b>Version and release date of item (if applicable):</b>	V1.0
<b>Owner of item being assessed:</b>	Lesley Flannigan
<b>Name of assessor:</b>	Joseph Holmes
<b>Date of assessment:</b>	24.8.2012

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

<b>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.</b> (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this.</b>
<b>Further comments relating to the item:</b> None		

<b>3. Result</b> (please tick by clicking on relevant box)	
<input type="checkbox"/>	<b>High Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Medium Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Low Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input checked="" type="checkbox"/>	<b>No Relevance</b> - This <b>does not</b> 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.**

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

**Name:** Joseph Holmes

**Date:** 24.8.2012

# **Financial Statement of Accounts 2011/12**



**Audited**



West Berkshire  
C O U N C I L

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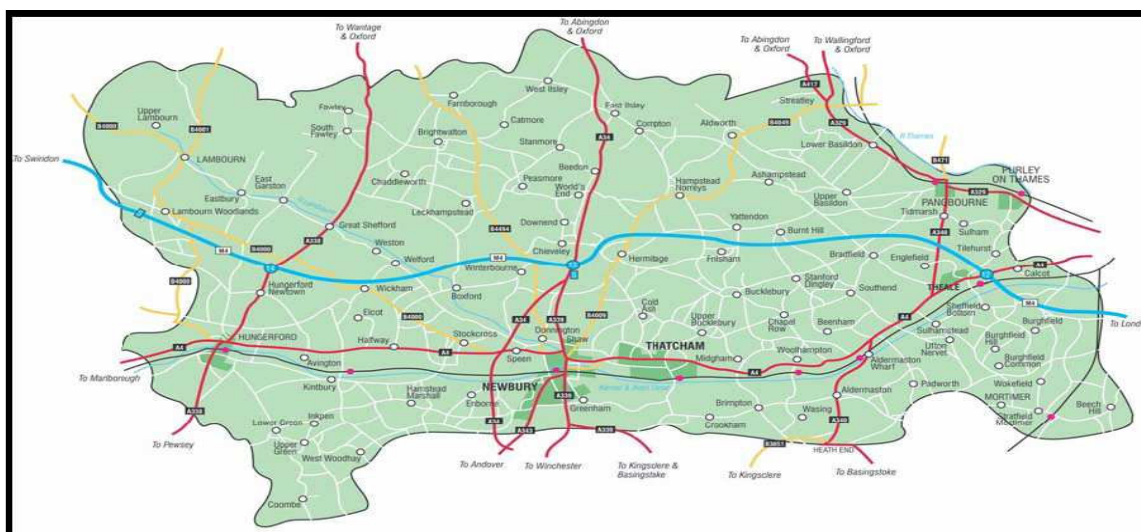
## Introduction to West Berkshire

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

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

The District occupies a strategic position where the east-west M4 corridor intersects the north-south route of the A34. There are mainline railway services to London and good connections to nearby larger centres such as Reading, Oxford, Swindon and Basingstoke. These factors, combined with the high quality urban and rural environment within the district, have contributed to a thriving economy, making the area a popular place to live and work. People in West Berkshire enjoy better health and lower crime rates than the national average.

Levels of educational attainment are high. House prices in West Berkshire are among the highest in the UK and the provision of affordable housing to meet local needs, particularly for young people and key workers is one of the Council's priorities.



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

## Explanatory Foreword

### Introduction

The financial statements are a summary of all the financial activities undertaken by the Council during the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2012. This period has seen a significant reduction to the Council's funding from central Government grants, as well as a general shift away from Government ring fencing funds to give greater freedom to Councils to spend on local priorities.

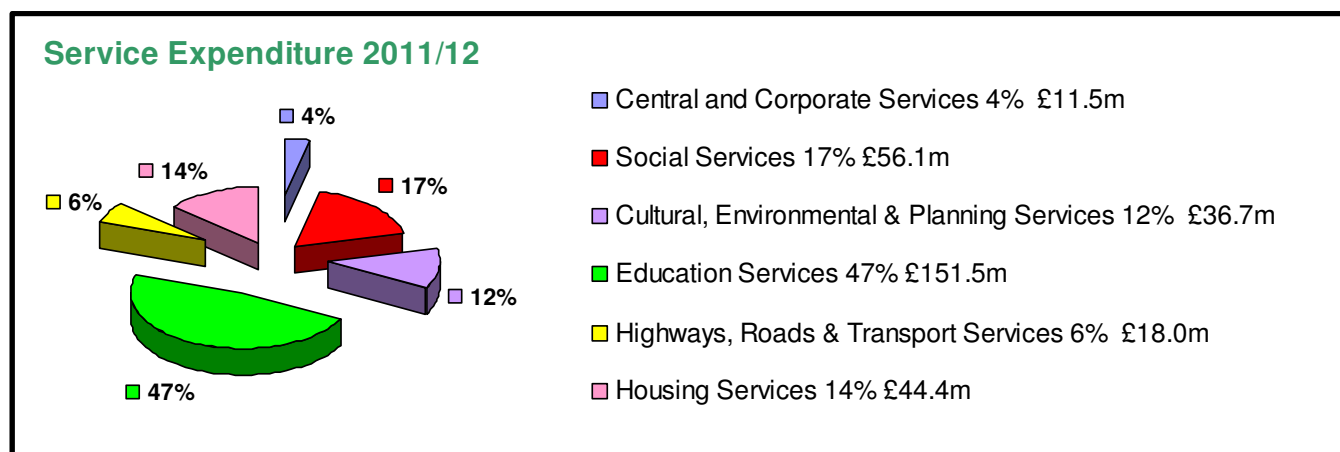
The financial statements contain a variety of tables and graphs, though the core items are:

- The Balance Sheet – this provides a snapshot of the Council's assets and liabilities
- The Comprehensive Income and Expenditure account – this provides the summary movements of funding and spending through the Council
- Movement in Reserves – this provides the actual change to the Council general reserves position

The statements also provide a variety of notes that support some of the figures in the financial statements, providing further information on movements within capital and revenue expenditure as well as on specific items required by statute.

### Summary of the 2011/12 financial year

The chart below outlines where the Council spent its budget, the expenditure of £318.2m shown, does not include capital financing charges nor the non distributed cost.



The Council's budget for 2011/12 saw a reduction of £3.5m (8%) to its Government grant funding, whilst at the same time a freeze in Council Tax for residents. The Council also faced a number of budgetary pressures, primarily within Adult Social Care. Early in the financial year the Council was forecasting an overspend in the Adult Social Care service of £1.7m, with a corporate overspend forecast of £1.3m.

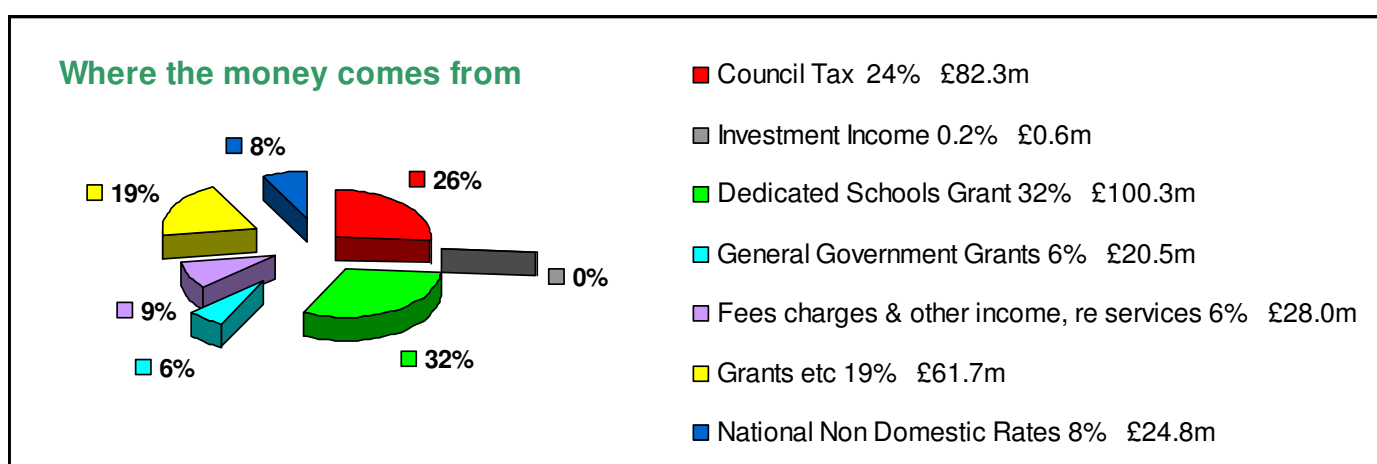
By the end of the financial year, through a variety of management actions within the Adult Social Care service and across all Council services, the overall overspend was turned into an under spend. The Council was able to contribute £400k to a fund for future redundancy costs which will result, from restructuring in the 2013/14 budget and beyond, as well as nearly £600k to adjust for known pressures within the 2012/13 budget. This provides the Council with a more stable financial footing for future financial years.

The final movement to the general reserve was a small £21k reduction. This is because the Council supported the 2011/12 budget by using £500k from reserves but had an overspend against this budget, after adjustments of just over £500k.

Included in the Net cost of services of the Comprehensive Income and Expenditure Statement, is the removal of three secondary schools which became academies in the 2011/12 financial year. The disposal of these two schools accounted for £36.6m.

Income from various sources was at, or very close to budget. However, the Collection Fund deficit was over £1m for the 2011/12 financial year. This will be recovered in future financial years; for the 2012/13 budget, the Council made provision for the majority of this deficit and has a very low assumption on the number of new properties coming on board given the slowdown in the local construction of new properties.

The chart below shows the Council's key sources of income and how the expenditure of £318.2m was funded.



The pension fund deficit is currently £155m. 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 2012/13, and the latest changes to the Local Government Pension Scheme are currently being consulted upon with employers and union employees, with increases to the pensionable age and to higher earner employee contributions to the pension scheme.

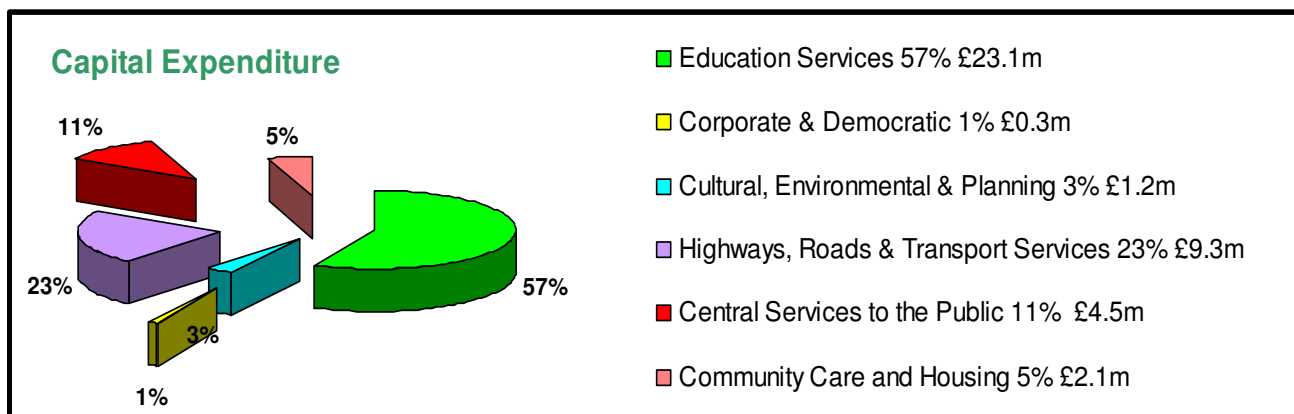
In line with new accounting requirements, the Berkshire County archive and the West Berkshire Museum Collections are recognised as heritage assets of the Council.

Under the Private Finance Initiative a £25.97m waste management facility was opened on October 2011 at Padworth Sidings; the capital repayments for which will be accounted for over 21 years until October 2032. Under IFRS (International Financial Reporting Standards) the PFI scheme once it becomes operational needs to be shown on the balance sheet. This year the waste management facility was brought on to the balance sheet.

The 2011/12 financial year did not see any significant changes to Local Government's statutory functions. The Council, in 2013/14 will take over responsibility for Public Health, with shadow arrangements coming into place beforehand. It should also be noted that Newbury voted to approve a Business Improvement District (BID) in May 2012 and this will take place with effect from the 2012/13 financial year.

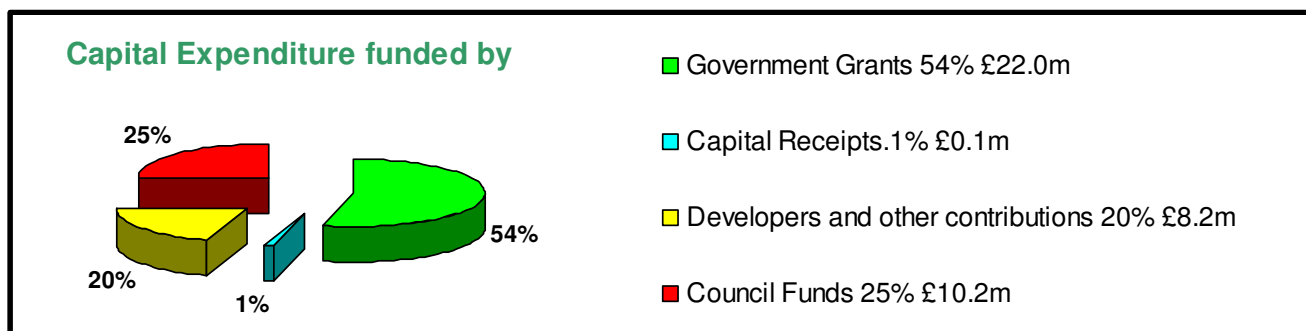
The Council needs to invest a certain amount of capital each year to make sure that its assets (e.g. school buildings, roads, leisure centres) remain fit for purpose and in a good state of repair.

The chart below shows the areas on which the capital expenditure of £40.5m was spent.



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 £40.5m was funded. As can be seen the vast majority of the Council's investment in capital was funded either by central government grant or by the Council financing the expenditure itself.



In the financial year 2011/12, the Council's long term loans (all from the Public Works and Loans Board) increased by £27.9m to £87.6m. This increased borrowing was to fund capital expenditure incurred between 2005 and 2012 in the following areas:

- £10.4m on maintenance and improvement of schools
- £12.3m on highways improvements
- £2.1m on development of the site for the new waste management facility at Padworth and the waste PFI contract
- £2.6m structural maintenance of council buildings including leisure centres, care homes and day centres
- £900k facilities to help elderly and disabled people remain independent in their own homes

- £1.3m improvements to other Council assets, including day centres, libraries, rights of way, parks and the museum
- £0.8m on ICT improvements for Council services

These loans will be repaid over the lifetime of the assets in which they have been invested e.g. from 5 years for ICT improvements to 40 years for new buildings. The cost of repaying the loans has been planned for in the Council's Medium Term Financial Strategy.

The Council also needs to take out short term 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 no outstanding short term loans at the 31<sup>st</sup> March 2012.

The Council maintains a revenue budget of over £6m 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 a great significance compared to other Councils who hold large investments and cash balances.

There has been an impact of the current economic climate on the Council's spending plans. As noted above, income from central Government is declining. The Council has also seen a reduction to income from car parking, planning and legal services fees. The Council holds an adequate level of reserves to cope with future financial income reductions, though these reductions do pose a risk to the Council's future budgetary position.

### Further information

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

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Market Street, Newbury, RG14 5LD

[AWalker@westberks.gov.uk](mailto:AWalker@westberks.gov.uk)

(01635) 519 433

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, for the purposes of this requirement for the 2011/12 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<sup>st</sup> March 2012).

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 statements of accounts present a true and fair view of the financial position of West Berkshire Council as at 31<sup>st</sup> March 2012.



Andy Walker  
Head of Finance

28<sup>th</sup> June 2012



The primary statements included in these accounts are explained below:

**The Comprehensive Income and Expenditure Statement (Page 9)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**The Balance Sheet (Page 10)** shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category are usable reserves (Note 24 – Reserves and Balances), i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services (Note 25 – Unusable Reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (Note 30).

**The Movement in Reserves Statement (Page 11)** shows movement in the year on the different reserves held by the Authority. The reserves are split into usable (those that can be used to fund expenditure or reduce taxation) and unusable reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The net increase/decrease before Transfers to / (from) Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

**The Cash Flow Statement (Page 12)** shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cashflows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

**The Statement of Accounting Policies (Pages 14 – 24)** details the legislation and principles on which the Statement of Accounts has been prepared. An understanding of the principles used to prepare the accounts is necessary to comprehend the information contained in the Statement of Accounts.

**The Collection Fund Revenue Account (Page 61)** records the council tax and business rate transactions for the financial year. The Account also shows the distribution of the council tax income to Thames Valley Police Authority and the Berkshire Fire Authority. There is a statutory requirement to maintain a Collection Fund and keep its activities separate from those of other Council transactions.

## Comprehensive Income and Expenditure Account

2010/11 Net Expenditure £000	Comprehensive Income & Expenditure Account Table 06	Note	2011/12		Net Expenditure £000
			Expenditure £000	Income £000	
<b>Net Expenditure on Continuing Services</b>					
45,144	Adult social care		56,371	(11,526)	44,845
8,459	Central Services		15,807	(9,676)	6,131
36,091	Cultural, Environmental, regulatory and Planning Services		33,485	(6,498)	26,987
55,406	Education and Children's Services		168,989	(115,719)	53,270
15,696	Highways and Transport Services		23,318	(3,936)	19,382
8,279	Housing Services		46,710	(39,399)	7,311
0	Academy Schools removed		36,600	0	36,600
(30,029)	Non-Distributed costs	8a	574	0	574
<b>139,045</b>	<b>Net Cost of Services</b>	<b>8b</b>	<b>381,854</b>	<b>(186,754)</b>	<b>195,100</b>
(153)	(Gain) / loss on the disposal of non current assets				(99)
3,312	Precepts to Parishes	8e			3,289
126	Levies Payable				126
(369)	(Surpluses)/deficits on investment properties				(368)
(435)	(Surpluses)/deficits on trading undertakings	6a			(446)
<b>2,481</b>	<b>Other Operating Expenditure</b>				<b>2,502</b>
(351)	Interest Receivable	12a			(587)
6,594	Pension Interest & Expected return on Assets	9d			4,405
2,412	Interest Payable and similar charges				4,164
<b>8,655</b>	<b>Financing and Investment Income and Expenditure</b>				<b>7,982</b>
<b>150,181</b>	<b>Net Operating Expenditure</b>				<b>205,584</b>
(81,470)	Income from Council Tax	7a			(82,301)
(14,722)	Non Ring Fenced Government Grants	7b			(20,511)
(25,527)	Contribution from Non-Domestic Rate Pool				(24,754)
(24,666)	Capital Grants and Contributions	26			(23,967)
<b>(146,385)</b>	<b>Taxation and Non Specific Grant Income</b>				<b>(151,533)</b>
<b>3,796</b>	<b>Surplus or Deficit on Provision of Services</b>				<b>54,051</b>
(8,319)	Surplus or deficit on revaluation of Fixed Assets				(12,049)
(47,739)	Actuarial (gains) / losses on pension assets / liabilities				54,979
<b>(56,058)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>42,930</b>
<b>(52,262)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>96,981</b>



## Balance Sheet

2010/11 £000	Balance Sheet Table 07	Note	2011/12	
			£000	£000
	<b>Property, plant and Equipment</b>			
194,962	Buildings		216,303	
92,690	Land		81,641	
		<b>15a</b>		297,944
129,722	Other	<b>15a</b>		131,101
12,300	Investment properties	<b>16b</b>		12,469
18,391	Assets Under Construction	<b>15a</b>		11,205
<b>448,065</b>	<b>Total Property, Plant and Equipment</b>			<b>452,719</b>
390	Long Term Debtors	<b>19b</b>		264
<b>448,455</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>452,983</b>
	<b>Current Assets</b>			
0	Short term investments	<b>12a</b>	3,000	
63	Inventories	<b>18a</b>	29	
16,970	Short term debtors	<b>19b</b>	15,166	
1,880	Cash and cash equivalents	<b>(20)</b>	0	
223	Assets held for sale	<b>15a</b>	1,307	
<b>19,136</b>	<b>TOTAL CURRENT ASSETS</b>			19,502
<b>467,591</b>	<b>TOTAL ASSETS</b>			<b>472,485</b>
	<b>Current Liabilities</b>			
0	Cash and cash equivalents	<b>(20)</b>	(653)	
(8,625)	Short term borrowing	<b>12b</b>	(3,251)	
(43,188)	Short term Creditors	<b>(21)</b>	(38,338)	
<b>(51,813)</b>	<b>TOTAL CURRENT LIABILITIES</b>			<b>(42,242)</b>
<b>415,778</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>430,243</b>
	<b>Long term Liabilities</b>			
(1,311)	Provisions	<b>(22)</b>	(1,140)	
(914)	Contributions deferred account		(1,268)	
(96,074)	Pension liability	<b>9e</b>	(154,965)	
(59,701)	Borrowings PWLB	<b>13c</b>	(87,649)	
(564)	Other long term liabilities	<b>17b</b>	(24,988)	
<b>(158,564)</b>				<b>(270,010)</b>
<b>257,214</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>160,233</b>
7,801	General Fund	<b>24f</b>	7,780	
777	Working Balances	<b>24f</b>	1,378	
15,386	Earmarked Reserves	<b>24f</b>	11,721	
19	Deferred Credit		8	
20	Usable Capital Receipt		0	
37,360	Capital Reserves	<b>(26)</b>	28,928	
	<b>Usable Reserves</b>	<b>24a</b>		49,815
195,851	<b>Unusable reserves</b>	<b>(25)</b>		110,418
<b>257,214</b>	<b>TOTAL RESERVES</b>			<b>160,233</b>

## Movement in Reserves Statement

Movement in Reserves Statement  Table 08	General	Earmarked	Capital		Working	Capital	Reserves		Total		
	Fund	GF	Receipts	Deferred			Balances	Reserves	Usable	Unusable	Authority
	Balance	Reserves	Reserve	Credit					£000	£000	Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000		
<b>Balance as at 31 March 2011</b>	<b>7,801</b>	<b>15,386</b>	<b>20</b>	<b>19</b>	<b>777</b>	<b>37,360</b>	<b>61,363</b>	<b>195,851</b>	<b>257,214</b>		
Surplus or (deficit) on provision of services	(54,051)	0	0	0	0	0	(54,051)	0	(54,051)		
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(42,930)	(42,930)		
<b>Comprehensive Expenditure &amp; Income</b>	<b>(54,051)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(54,051)</b>	<b>(42,930)</b>	<b>(96,981)</b>		
Adjustment required due to statutory accounting policies	50,966	0	(20)	(11)	0	(8,432)	42,503	(42,503)	0		
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(3,085)</b>	<b>0</b>	<b>(20)</b>	<b>(11)</b>	<b>0</b>	<b>(8,432)</b>	<b>(11,548)</b>	<b>(85,433)</b>	<b>(96,981)</b>		
Transfers to / (from) Earmarked Reserves	3,064	(3,665)	0	0	601	0	0	0	0		
<b>Increase / (Decrease) in Year</b>	<b>(21)</b>	<b>(3,665)</b>	<b>(20)</b>	<b>(11)</b>	<b>601</b>	<b>(8,432)</b>	<b>(11,548)</b>	<b>(85,433)</b>	<b>(96,981)</b>		
<b>Balance as at 31 March 2012</b>	<b>7,780</b>	<b>11,721</b>	<b>0</b>	<b>8</b>	<b>1,378</b>	<b>28,928</b>	<b>49,815</b>	<b>110,418</b>	<b>160,233</b>		
<b>Balance as at 31 March 2010</b>	<b>7,117</b>	<b>17,575</b>	<b>606</b>	<b>26</b>	<b>1,213</b>	<b>42,049</b>	<b>68,586</b>	<b>136,366</b>	<b>204,952</b>		
Surplus or (deficit) on provision of services	(3,796)	0	0	0	0	0	(3,796)	0	(3,796)		
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	56,058	56,058		
<b>Comprehensive Expenditure &amp; Income</b>	<b>(3,796)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,796)</b>	<b>56,058</b>	<b>52,262</b>		
Adjustment required due to statutory accounting policies	1,855	0	(586)	(7)	0	(4,689)	(3,427)	3,427	0		
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,941)</b>	<b>0</b>	<b>(586)</b>	<b>(7)</b>	<b>0</b>	<b>(4,689)</b>	<b>(7,223)</b>	<b>59,485</b>	<b>52,262</b>		
Transfers to / (from) Earmarked Reserves	2,625	(2,189)	0	0	(436)	0	0	0	0		
<b>Increase / (Decrease) in Year</b>	<b>684</b>	<b>(2,189)</b>	<b>(586)</b>	<b>(7)</b>	<b>(436)</b>	<b>(4,689)</b>	<b>(7,223)</b>	<b>59,485</b>	<b>52,262</b>		
<b>Balance as at 31 March 2011</b>	<b>7,801</b>	<b>15,386</b>	<b>20</b>	<b>19</b>	<b>777</b>	<b>37,360</b>	<b>61,363</b>	<b>195,851</b>	<b>257,214</b>		

## Cash Flow Statement

2010/11 £000	Cash Flow Statement Table 09	Note	2011/12	
			£000	£000
	<b>Operating Activities</b>			
100,511	Taxation		100,334	
233,582	Grants		205,501	
663	Rents		684	
4,743	Sale of goods and rendering of service		40,635	
351	Interest received		587	
440	Other receipts from operating activities		431	
<u>340,290</u>	<b>Cash inflows generated from operating activities</b>			<u>348,172</u>
(126,920)	Cash paid to and on behalf of employees		(113,072)	
(36,597)	Housing benefit paid out		(38,935)	
(3,302)	Precepts paid		(3,289)	
(134,963)	Cash paid to suppliers of goods and services		(147,524)	
(2,412)	Interest paid		(4,164)	
(23,516)	Other payments for operating activities		(20,535)	
<u>(327,710)</u>	<b>cash outflows from operating activities</b>			<u>(327,519)</u>
<u>12,580</u>	<b>Net cashflows from operating activities</b>	(27)		<u>20,653</u>
	<b>Investing activities</b>			
(49,234)	Purchase of property plant and equipment		(40,529)	
(59,200)	Purchase of short and long term investments		(48,900)	
(124,137)	Other payments for investing activities		(140,913)	
1,260	Proceeds from sale of PPE and investment properties		127	
67,200	Proceeds from the short and long term investments		48,900	
125,950	Other receipts from investing activities		140,913	
<u>(38,161)</u>	<b>Net cash flows from investing activities</b>			<u>(40,402)</u>
	<b>Financing activities</b>			
29,250	cash receipts of short and long term borrowing		30,539	
1,002	other receipts from financing activities		1,094	
(1,686)	repayments of short and long term borrowing		(8,625)	
(705)	other payments for financing activities		(726)	
<u>27,861</u>	<b>Net cashflows from financing activities</b>			<u>22,282</u>
	<b>Net increase/decrease in cash and cash equivalents</b>			
2,280				2,533
(4,160)	<b>Cash and cash equivalents at the beginning of the reporting period</b>			<u>(1,880)</u>
<u>(1,880)</u>	<b>Cash and cash equivalents at the end of the reporting period</b>			<u>653</u>

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**(1) Statement of Accounting Policies**

**I. General principles**

All the financial policies used in compiling this statement of accounts comply with the code of practice and International Financial Reporting Standards.

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 2011/12 financial year and its position at the year end 31<sup>st</sup> March 2012.

The Financial Statements for 2011/12 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 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 Authority's Balance Sheet at 31<sup>st</sup> March 2012 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, which necessitates 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, they are included in the accounts on a payments basis where appropriate payments have been made 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, both capital and revenue, and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution. There must also be reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is moved to the relevant service revenue account.

Where capital grants have been credited to the comprehensive Income and Expenditure Statement they are reversed out of the General Fund through the Movement in Reserves Statement.

#### 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
- Amortisation of intangible fixed assets attributable to the service.

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

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

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

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

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

- The liabilities of the Berkshire pension scheme attributable 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 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 reapplied 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 full agreement with Trade unions.

When redundancy payments are applicable it will be as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These payments are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 now 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, known 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 are 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 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<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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

Amounts in excess of £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 allows the components to be recognised as separate assets. West Berkshire Council will componentise assets where components are either 10% of the assets value or has a value of more than £250k. These assets should be 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
- 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 likelihood arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on 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 long term contracts**

Inventories are shown in the Balance Sheet on a cost basis, which is compliant with IAS 2, this recommends valuation at the lower of 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 liabilities** are disclosed in the notes to the core Financial Statements and cover known liabilities where the actual cost of the liability is not known.

**Contingent assets** are disclosed in the notes to the core Financial Statements where it is probable that there will be an inflow of economic benefit or service potential.

#### **XV. Carbon reduction scheme**

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until April 2014. 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 at 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 may Council 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.

**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<sup>st</sup> March 2012.

**Borrowings:** The loan debt held by Berkshire County Council (BCC) when it was abolished due to local government reorganisation as at the 31<sup>st</sup> March 1998 amounted to approximately £220m. The portfolio of debt consisted entirely of Public Works Loans Board (PWL) 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<sup>st</sup> 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.

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

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

**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.

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 £9,608k (2010/11: £15,029k).

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

**Instruments Entered into Before 1<sup>st</sup> 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.

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

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

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



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

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

#### **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 leased assets are not stated in the Balance Sheet. Rentals are charged to revenue in accordance with the terms of the lease. The Council did not enter into any finance lease agreements during the year.

#### **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 to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits these do not represent usable resources for the Council. Both usable and unusable reserves are explained in the relevant notes below.

#### **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 that have been issued but have not yet been adopted**

Although not an IFRS accounting standard, West Berkshire is currently working towards complying with the requirements of the Code of Practice on Local Authority Transport Infrastructure Assets.

The Code of Practice on Local Authority Accounting will require local authorities to account for their infrastructure assets in their Accounts in accordance with this Infrastructure Assets Code from 2012/13.

**(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 a high 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**                      There were no prior period adjustments.

**(5) Post Balance Sheet Events**                      There are no known 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.

2010/11	Trading Operations	2011/12		
Deficit (Surplus) £000	Table 10	Expenditure £000	Income £000	Deficit (Surplus) £000
15	External Trading Accounts	708	(827)	(119)
(450)	Internal Trading Accounts	5,447	(5,774)	(327)
<u>(435)</u>	<b>Net deficit</b>	<u>6,155</u>	<u>(6,601)</u>	<u>(446)</u>



**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 11	Chargeable		Non-Chargeable		Total	
	Activities		Activities			
	31/03/11 £000	31/03/12 £000	31/03/11 £000	31/03/12 £000	31/03/11 £000	31/03/12 £000
<b>Expenditure</b>						
Employees	523	509	150	145	674	654
Supplies & Services	29	28	2	2	31	30
Central and Support Charges	81	96	31	39	112	135
<b>Total Expenditure</b>	<b>633</b>	<b>633</b>	<b>183</b>	<b>186</b>	<b>817</b>	<b>819</b>
<b>Income</b>						
Building Regulation Charges	585	524	0	0	585	524
<b>Total Income</b>	<b>585</b>	<b>524</b>	<b>0</b>	<b>0</b>	<b>585</b>	<b>524</b>
<b>Surplus / (Deficit) for year</b>	<b>(48)</b>	<b>(109)</b>	<b>(183)</b>	<b>(186)</b>	<b>(232)</b>	<b>(295)</b>

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

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.

7b Principal grant income

2010/11 £000	Grant Income Table 12	2011/12 £000
<b>Credited to taxation and non specific grant income</b>		
3,707	Revenue Support Grant	7,651
0	Council Tax Freeze Grant	1,983
11,015	Area Based Grant	0
0	Early intervention Grant	5,456
0	Community Safety Fund	552
0	NHS Funding Social Care	1,304
0	Learning Disability Health Reform Grant	3,088
0	New Homes Bonus	477
5,403	Section 106 Contributions	3,335
19,263	Capital Grants	20,632
<b>39,388</b>	<b>Total</b>	<b>44,478</b>
<b>Credited to services</b>		
100,223	Dedicated Schools Grant	100,284
14,991	Standards Fund Grant	0
36,597	Housing Benefit Grant	38,935
13,990	Learning and Skills Council	9,057
18,216	Other Specific Government Grants	14,680
<b>184,017</b>	<b>Total</b>	<b>162,956</b>
<b>Capital Grants Receipts in Advance</b>		
5,378	Primary Capital Programme	0
44	DFES Youth Capital Fund	0
4,754	Contribution from St Barts Foundation	0
<b>10,176</b>	<b>Total</b>	<b>0</b>

7c Other Government grant income

2010/11 £000	Other Government Grants Table 13	2011/12 £000
223	Concessionary Fares	0
2,312	Private Finance Initiative	2,312
8,150	Council Tax Benefit	8,756
594	Social Care Reform	0
96	Drug Action	39
30	Contact Point	0
100	Under Fives Free Milk	0
672	Education Grants	1,384
4,244	Sure Start	0
473	Unaccompanied Asylum Seekers	524
221	Youth Offending	247
106	Teacher Recruitment	0
358	Think Family	0
637	Other	1,418
<b>18,216</b>	<b>Total Other Government Grants</b>	<b>14,680</b>

These Government Grants form part of the Cash Flow Statement.

**(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, a provision for liability 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, Government Grants deferred, IAS 19 pension costs and movements in Reserves. These are subsequently reversed, so that the net effect on the amount to be met from Government Grants and local taxation is zero.

**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	
	31/03/11	31/03/12	31/03/11	31/03/12	31/03/11	31/03/12	31/03/11	31/03/12
Table 14	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance from 2010/11</b>	<b>(3.8)</b>	<b>(4.0)</b>	<b>(5.0)</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>2.5</b>	<b>(0.3)</b>	<b>(0.3)</b>
Gross Expenditure	4.1	3.7	7.8	1.2	3.7	0.9	1.1	1.2
Gross Income	0	0	0	0	0	0	0	0
Net Expenditure	4.1	3.7	7.8	1.2	3.7	0.9	1.1	1.2
Council Tax Income	(4.3)	(5.2)	(4.3)	0	(0.9)	(0.8)	(1.1)	(1.2)
Appropriation to balances	(0.2)	(1.5)	3.5	1.2	2.8	0.1	0	0
<b>Balance to 2012/13</b>	<b>(4.0)</b>	<b>(5.5)</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>2.5</b>	<b>2.6</b>	<b>(0.3)</b>	<b>(0.3)</b>

**8d Pooled services**

The pooled budget for Community Equipment was established 1<sup>st</sup> 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	Gross Expenditure £000	Gross Income £000	WBC contribution £000
Table 15			
Financial year 2010/11	2,808	(2,808)	258
Financial year 2011/12	2,991	(2,810)	286

**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 £3,296k. There was also a special expenses precept on the parishes concerning closed church yards of £7k, giving net £3,289k figure as the precepts to parishes.

**8f Publicity**

Set out below, under the requirements of section 5(l) 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.

2010/11		Publicity Table 16	2011/12	
Council £000	Schools £000		Council £000	Schools £000
307	57	Marketing and Public Relations	260	53
66	229	Recruitment and Advertising	26	201
<b>373</b>	<b>286</b>	<b>Total Expenditure</b>	<b>286</b>	<b>254</b>

**(9) Employee benefits**

**9a Exit packages**

The Authority terminated the contracts of a number of employees in 2011/12. 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 Table 17	2010/11			2011/12				
	Compulsory redundancies	Other departures	Total exit packages £000	Compulsory redundancies	Other departures	Total exit packages	Total cost £000	
<b>COUNCIL</b>								
Up to £19,999k	41	2	43	350	11	6	17	176
£20,000k - £39,999k	31	1	32	884	2	2	4	110
£40,000k - £59,999k	14	0	14	655	6	0	6	307
£60,000k - £79,999k	10	0	10	719	0	0	0	0
£80,000k - £99,999k	2	0	2	192	2	0	2	172
£100,000k - £149,999k	2	0	2	229	1	0	1	102
£150,000k - £199,999k	0	0	0	0	1	0	1	177
	<b>100</b>	<b>3</b>	<b>103</b>	<b>3,029</b>	<b>23</b>	<b>8</b>	<b>31</b>	<b>1,044</b>
<b>SCHOOLS</b>								
Up to £19,999k	29	8	37	173	32	8	40	246
£20,000k - £39,999k	1	2	3	63	3	2	5	139
£40,000k - £59,999k	2	0	2	127	0	0	0	0
£60,000k - £79,999k	1	0	1	75	0	0	0	0
	<b>33</b>	<b>10</b>	<b>43</b>	<b>438</b>	<b>35</b>	<b>10</b>	<b>45</b>	<b>385</b>

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	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
<b>Table 18</b>												
£50k-£55k	45	36	2	0	28	22	1	1	73	58	3	1
£55k-£59k	15	17	0	2	26	22	1	1	41	39	1	3
£60k-£64k	19	19	2	0	9	15	0	0	28	34	2	0
£65k-£69k	13	7	1	0	9	3	1	0	22	10	2	0
£70k-£74k	4	0	1	0	5	5	0	2	9	5	1	2
£75k-£79k	2	4	0	0	3	3	1	0	5	7	1	0
£80k-£84k	1	0	0	0	7	5	1	1	8	5	1	1
£85k-£89k	2	1	0	0	2	2	0	1	4	3	0	1
£90k-£94k	1	1	0	0	2	2	2	1	3	3	2	1
£95k-£99k	1	0	0	0	2	3	0	1	3	3	0	1
£100k-£104k	1	1	1	0	2	0	1	0	3	1	2	0
£105k-£109k	0	0	0	0	3	1	2	0	3	1	2	0
£110k-£114k	0	0	0	0	2	0	2	0	2	0	2	0
£115k-£119k	0	0	0	0	1	2	1	0	1	2	1	0
£120k-£124k	0	0	0	0	0	0	0	0	0	0	0	0
£125k-£129k	0	0	0	0	1	0	1	0	1	0	1	0
£130k-£134k	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
£140k-£144k	0	0	0	0	1	0	1	0	1	0	1	0
£145k-£149k	0	0	0	0	0	0	0	0	0	0	0	0
£150k-£154k	0	0	0	0	0	0	0	0	0	0	0	0
£155k-£159k	1	0	0	0	0	0	0	0	1	0	0	0
£160k-£164k	0	0	0	0	0	0	0	0	0	0	0	0
£165k-£169k	0	0	0	0	0	1	0	1	0	1	0	1
£170k-£174k	0	0	0	0	0	0	0	0	0	0	0	0
£175k-£180k	0	0	0	0	0	1	0	1	0	1	0	1
	<u>105</u>	<u>86</u>	<u>7</u>	<u>2</u>	<u>104</u>	<u>88</u>	<u>15</u>	<u>10</u>	<u>209</u>	<u>174</u>	<u>22</u>	<u>12</u>

Expenses paid to the elected members were £534k (2010/11: £568k).

## Notes to the Core Financial Statements

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		Salary (Including fees & allowances)	Benefits in Kind	Remuneration excluding pension contributions	Pension contributions	Remuneration including pension contributions
Table 19		£	£	£	£	£
<b>Chief Executive</b>						
	2010/11	138,418	0	138,418	20,279	158,697
	2011/12	138,418	0	138,418	20,546	158,964
<b>Corporate Directors</b>						
Children and Young People	2010/11	105,177	0	105,177	15,379	120,556
	2011/12	100,226	0	100,226	14,818	115,044
Environment	2010/11	101,177	3,801	104,978	15,379	120,357
	2011/12	101,445	4,177	105,622	15,581	121,203
Community Services	2010/11	98,080	0	98,080	14,300	112,380
	2011/12	100,442	0	100,442	14,852	115,294
<b>Senior Council Personnel</b>						
Head of Legal & Electoral Services	2010/11	80,819	0	80,819	11,752	92,571
	2011/12	80,819	0	80,819	11,907	92,726
Head of Finance	2010/11	77,319	2,535	79,854	11,752	91,606
	2011/12	77,319	2,428	79,747	11,907	91,654
	<b>TOTAL 2010/11</b>	<b>600,990</b>	<b>6,336</b>	<b>607,326</b>	<b>88,841</b>	<b>696,167</b>
	<b>TOTAL 2011/12</b>	<b>598,669</b>	<b>6,605</b>	<b>605,274</b>	<b>89,611</b>	<b>694,885</b>

### Note

The Executive Head's school - Kennet School - whose remuneration was tabled within last year's accounts, has now left the Authority's control.

### 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<sup>st</sup> March 2012. IAS 19 requires the Authority to recognise the cost of retirement benefits in the Net Cost of Services when

## Notes to the Core Financial Statements

employees earn them, rather than when the benefits are eventually paid as pensions. However the charge the Authority is required to make against Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made to the Income and Expenditure Account, in the net cost of services and the financing and investment income and expenditure lines.

2010/11 £000	Local Government Pension Scheme Table 20	2011/12 £000
	<b>Comprehensive Income and Expenditure account</b>	
12,960	Current Service Cost	8,976
(30,840)	Past Service Cost / curtailment	(1,408)
(17,880)	<b>Financing and investment income and expenditure</b>	7,568
17,187	Interest Cost	14,996
(10,593)	Expected return on assets in the scheme	(10,591)
6,594	<b>Total post employment benefit charged to the surplus or deficit on the provisions of services</b>	4,405
(11,286)	<b>Net Charge / Net surplus to the Comprehensive Income and Expenditure Account</b>	11,973
	<b>Movement in Reserves Statement</b>	
11,286	Reversal of net charges made for retirement benefits in accordance with FRS 17	(11,973)
8,563	<b>Actual amount charged against the General fund balance for pensions in the year</b>	8,061

In addition to the recognised gains and losses above, actuarial loss of £54,979k (2010/11 gain of £47,739k) 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.

2010/11 £000	Funded Liabilities Table 21	2011/12 £000
<b>331,922</b>	<b>Opening balance</b>	<b>273,917</b>
12,960	Current service cost	8,976
17,187	Interest cost	14,996
3,464	Contributions by scheme participants	3,117
(51,426)	Actuarial (gains) and losses	43,928
0	Losses (gains) on curtailments	388
0	Liabilities extinguished on settlements	(3,730)
(8,783)	Benefits paid	(8,842)
(30,840)	Past service costs	0
(567)	Unfunded pension payments	(562)
<b>273,917</b>	<b>Closing balance</b>	<b>332,188</b>

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

2010/11 £000	Fair Value of Scheme Assets Table 22	2011/12 £000
168,260	Opening balance	177,844
10,593	Expected rate of return	10,591
(3,686)	Actuarial gains and losses	(11,053)
8,563	Employer contributions including unfunded	8,061
3,464	Contributions by scheme participants	3,117
(9,350)	Benefits paid	(9,403)
0	Receipt / (payment) of bulk transfer values	(1,934)
<u>177,844</u>	Closing balance	<u>177,223</u>

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 loss on scheme assets in the year was £461k (2010/11: a return of £12,266k).

**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<sup>st</sup> March 2012 are as follows:

Present value of Scheme liabilities Table 23	Restated				
	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of Liabilities:	(214,886)	(203,325)	(331,922)	(273,917)	(332,188)
Fair value of Assets	172,656	123,964	168,260	177,844	177,223
<b>Surplus / (deficit) in the scheme</b>	<u>(42,229)</u>	<u>(79,361)</u>	<u>(163,662)</u>	<u>(96,073)</u>	<u>(154,965)</u>
Experience adjustments on Scheme liabilities	(9,296)	0	(4,828)	9,690	1,013
Experience adjustments on scheme assets	(24,837)	(64,780)	33,435	(3,686)	(11,053)

For consistency the assets have been shown at bid price (estimated where necessary) for the periods prior to 31<sup>st</sup> 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.



## Notes to the Core Financial Statements

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

2010/11	Principal actuarial assumptions	Table 24	2011/12
7.8%	Equity Investments		6.7%
5.5%	Bonds		4.6%
5.9%	Property		4.8%
3.0%	Cash		3.0%
5.0%	Alternative assets		5.0%
	<b>Mortality assumptions</b>		
	<b>Longevity at 65 for current pensioners:</b>		
22.7	Men		23.0
25.4	Women		25.6
	<b>Longevity at 65 for future pensioners:</b>		
24.8	Men		25.0
27.4	Women		27.6
3.5%	Rate of Inflation		3.3%
2.7%	CPI increase		2.5%
4.8%	Rate of increase in Salaries		4.5%
2.7%	Rate of increase in Pensions		2.5%
5.5%	Rate of discounting scheme liabilities		4.6%
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<sup>st</sup> March 2012 can be summarised as:

31/03/11		Pension fund assets	31/03/12	
£000	%	Table 25	£000	%
50,052	31%	Equities	57,251	35%
43,594	27%	Other Bonds	40,893	25%
12,917	8%	Property	16,357	10%
8,073	5%	Cash	3,271	2%
46,823	29%	Alternative assets	45,800	28%
<b>161,459</b>	<b>100%</b>	<b>Total</b>	<b>163,572</b>	<b>100%</b>

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.

Expected returns & Gains & losses	Restated				
Table 26	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(6.24)	(75.86)	(119.06)	(186.36)	2,196.63
Experience gains and losses on liabilities	(4.30)	860.86	(1.10)	5.50	1.30

The Council paid an employer's contribution of £7.2m (2010/11: £7.8m). This provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary, it is based on triennial actuarial valuations. Under the Scheme Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. In addition, the Council is responsible for all early releases of benefit payments, these amounted to £3k (2010/11: £446k).

**9f Teacher's 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 £6.1m (2010/11: £7.7m) 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.

2010/11 £000	Related Parties Table 27	2011/12 £000
510	Corn Exchange Theatre Trust	367
164	Greenham Common Trust	260
148	Newbury Town Council	77
613	West Berkshire Mencap	1040
282	Vodafone Ltd	300
276	Reading Borough Council	1306
1,021	Sovereign	922
<u>3,014</u>	<b>Total</b>	<u>4,272</u>

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) Auditors Fees**

In 2011/12 the following fees were incurred by West Berkshire Council and relate to external audit.

2010/11 £000	Audit fees Table 28	2011/12 £000
232	Fees payable to KPMG with regard to external audit services	213
(24)	Rebate from the Audit Commission with regard to external services	(17)
35	Fees payable to KPMG with regard to grants audit	35
<b><u>243</u></b>	<b>Total</b>	<b><u>231</u></b>

**(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 the Balance Sheet are made up as follows:

Financial Instrument Balances	Long Term		Short Term	
	31/03/11	31/03/12	31/03/11	31/03/12
Table 29	£000	£000	£000	£000
<b>Cash and Investments</b>				
Loans and receivables	0	0	0	3,000
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	1,880	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>1,880</b>	<b>3,000</b>
<b>Debtors</b>				
Loans and receivables	0	0	0	0
Financial assets carried at contract amount	0	0	12,430	11,677
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>12,430</b>	<b>11,677</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	59,701	112,638	8,625	3,251
Financial Liabilities at fair value through profit and loss	0	0	0	0
Cash and cash equivalents	0	0	0	653
Other Borrowing	0	0	0	0
<b>Total Borrowings</b>	<b>59,701</b>	<b>112,638</b>	<b>8,625</b>	<b>3,251</b>
<b>Creditors</b>				
Financial Liabilities at amortised cost	0	0	0	0
Financial Liabilities carried at Contract	0	0	39,730	28,024
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>39,730</b>	<b>28,024</b>

Notes:

Interest paid on long term borrowing was £3,315k (2010/2011: £2,287k)

Interest paid on the credit arrangement within the PFI contract was £793k (2010/2011: £nil)

Interest paid on short term borrowing was £56k (2010/2011: £124k)

**Total interested paid £4,164k**

Interest earned on investment was £587k (2010/11 £350k)

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

31/03/11		Fair value of liabilities and assets Table 30	31/03/12	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
<b>Fair value of liabilities carried at amortised cost</b>				
20,506	24,099	PWLB Maturity Loans	20,506	28,202
39,195	41,765	Other PWLB Loans > 1 Year	67,144	81,408
0	0	Other Long term Borrowing	24,988	24,988
8,625	8,625	Short term borrowing	3,251	3,251
0	0	Cash and cash equivalents	653	653
<b>68,326</b>	<b>74,489</b>	<b>Total Financial Liabilities</b>	<b>116,542</b>	<b>138,502</b>
<b>Fair value of assets carried at amortised cost</b>				
1,880	1,880	Cash and cash equivalents	0	0
0	0	Banks and building society deposits > 3 months	3,000	3,000
<b>1,880</b>	<b>1,880</b>	<b>Total Financial assets</b>	<b>3,000</b>	<b>3,000</b>

## Notes

**Short Term Borrowing**

Short term borrowing at the 31<sup>st</sup> March 2012 consisted of £2,590k principal due to be repaid on PWLB annuity loans within one year, plus £661k principal due to be repaid within one year on the credit arrangement within the PFI contract to fund a new integrated waste management facility.

**Long Term Borrowing**

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

£67,144k PWLB of loans > 1 year as at the 31<sup>st</sup> March 2012 is the balance outstanding on annuity loans, which West Berkshire Council has taken out since April 2005, to help fund investment in capital assets, less those principal repayments which are due to be made within one year.

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<sup>st</sup> March 2012 represents the bank and building society deposits of £3,570k less the value of cheques issued by the Council, which were unrepresented at that date, of £4,222k.

The fair value is **equal to** the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is not materially different from the rates available for similar loans at the Balance Sheet date.

**12c Short Term Investments**

Investments at 31st March 2012 amounted to £3m - Furness Building Society £2m and Cambridge Building Society £1m.

**(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 31st March 2012 and shows that all deposits outstanding as at 31st March 2012 met the Council's credit rating criteria at that date:

Investments Table 31 Counter party	Credit rating criteria met		Balances invest as at 31/03/11				Total £000
	When placed Yes/No	On 31/03/11 Yes/No	< 1 mth £000	>1 mths <3 £000	>3 mths <6 £000	>6 mths <12 £000	
Banks - UK			0	0	0	0	0
Banks - non-UK			0	0	0	0	0
<b>Total Banks</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Building Societies	Yes	Yes	0	0	0	3,000	3,000
Call Accounts	Yes	Yes	2,372	0	0	0	2,372
<b>Total</b>			<b>2,372</b>	<b>0</b>	<b>0</b>	<b>3,000</b>	<b>5,372</b>

Note

£2,372k held in call accounts at 31<sup>st</sup> March 2012 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.

Invoiced Receivables	Balance	Bad Debt
Doubtful Debt Provision	31/03/12	Provision
Table 32	£000	%
Current	2,218	1%
Over 30 days	989	6%
Over 60 days	115	10%
Over 90 days	86	25%
Between 120 to 365	589	50%
2010-11	167	90%
2009-10	85	90%
Earlier	83	100%
	<b>4,331</b>	
		<b>718</b>

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 meet its commitments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for 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):

31/03/11 £000	Liquidity Risk Table 33	31/03/12 £000
<b>Loans outstanding</b>		
59,701	PWLB loans for more than one year	87,649
0	Other Long Term PFI Borrowing	24,988
8,625	Temporary Borrowing	3,251
0	Local Bonds	0
0	Deferred Purchase	0
0	Other	0
<b>68,326</b>	<b>Total</b>	<b>115,888</b>
8,625	Less than 1 year	3,251
0	Between 1 & 2 years	42
2,123	Between 2 & 5 years	1,609
482	Between 5 & 15 years	9,309
57,096	More than 15 Years	101,677
<b>68,326</b>	<b>Total</b>	<b>115,888</b>

Note:

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

**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 affect 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<sup>st</sup> March 2012, 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. At this time West Berkshire District Council was nominated as the Archiving Authority, whilst due to the records office location, Reading Borough Council was deemed, under a service level agreement, the Host Authority.

The Berkshire Record Office houses archives representing 900 years of the Royal County of Berkshire's history. They store: council, court, church, charity, family and business records, in order that any interested member of the public can undertake research. The Records office is open to the general public four-days a week (closed Monday) and is run as a joint service for the six councils that provide local services within Berkshire: Bracknell Forest, Reading, Slough, West Berkshire, Windsor & Maidenhead and Wokingham.

##### 14b West Berkshire museum collections

The Museum which ordinarily houses a major part of the collection is currently closed for redevelopment with re-opening to the general public expected in 2014. All the museum collections are stored at two off-site locations with the exception of a small number displayed at Shaw House.

The collections date originally to a public museum founded in Newbury in 1843, they relocated to the Cloth Hall in 1904 after the building had been restored in memory of Queen Victoria.

The current collections cover:

1. **Natural Sciences** - including Mammals, Birds, Fish, and Insects, Butterflies, Moths, & Beetles
2. **Geology**
3. **Archaeology** - including Local Archaeology, Other British Archaeology, Coins, World Archaeology, and Egyptology
4. **Social & Local History** - including Archive & Ephemera, Textiles, Clocks & Watches, and Cameras
5. **Fine Art**
6. **Decorative Art** - including Ceramics, Metalwork, Wooden Items, and Jewellery
7. **Costume**
8. **Photographs**
9. **Local Studies Resources** - including Books, and Maps



**(15) Property, Plant, Equipment (PPE) and leased 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 2011/12 Table 34	Land &	Plant &	Infra-	Community	Investment	Assets	TOTAL
	Buildings	Equipment	structure	Assets	properties	held	
	£000	£000	Assets	£000	Assets	for sale	£000
<b>Valued at Current value</b>							
Book Value @ 31/03/11	325,099	26,888	156,856	1,603	12,300	248	522,994
Revaluations	10,330	0	0	(35)	153	(148)	10,300
Book Value @ 01/04/11	335,429	26,888	156,856	1,568	12,453	100	533,294
Reclassifications (re-group & transfer)	12,459	(145)	605	(86)	325	1,672	14,830
Additions	35,347	1,174	8,914	57	163	0	45,655
Disposals	(42,936)	0	0	(4)	(445)	0	(43,385) *
Gross Book Value @ 31/03/12	340,299	27,917	166,375	1,535	12,496	1,772	550,394
Depreciation @ 01/04/11	(37,447)	(14,503)	(40,885)	(237)	0	(25)	(93,097)
Depreciation charged to services	(10,642)	(2,675)	(5,186)	(10)	0	(110)	(18,623)
Depreciation on revalued assets	994	0	0	0	0	25	1,019
Reclassifications (re-group & transfer)	297	58	0	0	0	(355)	0
Depreciation on disposal	3,124	0	0	4	0	0	3,128 *
Balance @ 31/03/12	(43,674)	(17,120)	(46,071)	(243)	0	(465)	(107,573)
<b>Net Book Value @ 31/03/12</b>	<b>296,625</b>	<b>10,797</b>	<b>120,304</b>	<b>1,292</b>	<b>12,496</b>	<b>1,307</b>	<b>442,821</b>
<b>Revaluation reserve</b>	<b>(50,529)</b>	<b>0</b>	<b>0</b>	<b>(12)</b>	<b>(4,595)</b>	<b>(183)</b>	<b>(55,319)</b>
<b>Assets under Construction</b>							
Opening Balance 01/04/11	17,786	0	605	0	0	0	18,391
Movement in year	(6,581)		(605)		0	0	(7,186)
Closing Balance 31/03/12	11,205	0	0	0	0	0	11,205

## Note

The Land & Buildings figure on the Balance Sheet (table 06) comprises L&B as well as community assets totals  
The balance listed as other (table 06) includes the Plant & Equipment and Infrastructure Assets totals

The revaluation reserve records the unrealised revaluation gains arising since 1<sup>st</sup> 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, Greenham House, 41 Newtown Road and Venture Fair.

(\* the bulk of the disposals is the removal of three academy schools)

Movements in Property, Plant & Equipment 2010/11 Table 35	Land &	Plant &	Infra-	Community	Investment	Assets	TOTAL
	Buildings	Equipment	structure	Assets	properties	held	
	£000	£000	Assets	Assets	Assets	for sale	£000
			£000	£000	£000	£000	£000
<b>Valued at Current value</b>							
Book Value @ 31/03/10	328,060	25,022	147,981	1,127	10,364	800	513,354
Revaluations	5,236	0	0	0	1,715	0	6,951
Impairments	(12,880)	0	0	0	0	0	(12,880)
Book Value @ 01/04/10	320,416	25,022	147,981	1,127	12,079	800	507,425
Reclassifications	(142)	0	0	0	(106)	248	0
Additions	5,448	1,866	8,875	476	327	0	16,992
Disposals	(623)	0	0	0	0	(800)	(1,423)
Gross Book Value @ 31/03/11	325,099	26,888	156,856	1,603	12,300	248	522,994
Depreciation @ 01/04/10	(32,898)	(11,663)	(36,602)	(215)	0	(5)	(81,383)
Depreciation charged to services	(12,819)	(2,840)	(4,283)	(22)	0	(6)	(19,970)
Depreciation on revalued assets	8,267	0	0	0	0	0	8,267
Reclassifications	19	0	0	0	0	(19)	0
Depreciation on disposal	(16)	0	0	0	0	5	(11)
Balance @ 31/03/11	(37,447)	(14,503)	(40,885)	(237)	0	(25)	(93,097)
<b>Net Book Value @ 31/03/11</b>	<b>287,652</b>	<b>12,385</b>	<b>115,971</b>	<b>1,366</b>	<b>12,300</b>	<b>223</b>	<b>429,897</b>
<b>Revaluation reserve</b>	<b>(44,190)</b>	<b>0</b>	<b>0</b>	<b>(11)</b>	<b>(4,208)</b>	<b>0</b>	<b>(48,409)</b>
<b>Assets under Construction</b>							
Opening Balance 01/04/10	8,007	0	532	0	14	0	8,553
Movement in year	9,779		73		(14)	0	9,838
Closing Balance 31/03/11	17,786	0	605	0	0	0	18,391

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

A proportion of these properties have been revalued as at 1<sup>st</sup> April 2011 by Amanda Dennis Member of the Royal Institution of Chartered Surveyors, (the Asset Development Officer), in accordance with the Code of Practice issued by CIPFA and the Statement of Asset Valuation Principles & Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

**15b Capital Expenditure:** The total capital expenditure for the year was £40,529k (2010/11: £49,234k).

15c Capital expenditure financing

2010/11 £000	Capital Expenditure Financing Table 36	2011/12 £000
101,628	<b>Opening Capital Financing Requirement</b>	121,368
	<b>Capital Investment</b>	
16,665	Property, Plant and Equipment	46,668
327	Investment Properties	162
9,838	Assets under construction	7,688
22,404	Revenue Expenditure Funded from capital under statute	11,981
	<b>Sources of Finance</b>	
(1,854)	Capital receipts	(144)
(24,795)	Government Grants	(21,988)
0	Other Grants	(1)
(97)	Revenue funding	(52)
(697)	Other internal balances and funds	(689)
(2,051)	Developers/other contributions	(8,289)
	MRP/Loans Principal	(2,636)
<b>121,368</b>	<b>Closing Capital Financing Requirement</b>	<b>154,068</b>
	<b>Explanation of Movements in Year</b>	
19,740	Increase in underlying need to borrowing (supported by government financial assistance)	0
0	Increase in underlying need to borrowing (unsupported by government financial assistance)	6,730
0	Assets acquired under finance leases	0
0	Assets acquired under PFI/PPP contracts	25,970
<b>19,740</b>	<b>Increase/ (decrease) in capital financing requirement</b>	<b>32,700</b>

15d Amenities provided by the Authority are:

31/03/11 Nos	Capital Assets - Amenties Table 37	31/03/12 Nos
9	Public Conveniences	9
24	Car Parks	25
2	Industrial Units	2
3	Farms	3
3	Civic Amenity Sites	3
8	Leisure Centres	8
13	Community Services	13
9	Libraries	9
57	Schools and associated properties	57
8	Commercial Premises	7
315	Public Open Spaces	321
10	Offices	10
22	Community Centres	22
3	Highways Depots	3
47	Housing operational properties	47
<b>533</b>	<b>Total</b>	<b>539</b>

Comparatives for public open spaces have been re-stated from 228 to 315. Similarly car parks have been re-stated from 22 to 24.

**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 (2010/11: three) 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 £13.9m (2011/12: £31.5m) being £11.3m for building and £2.6m for land.

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

<b>Main Items of Capital Expenditure</b>	<b>2011/12</b>
<b>Table 38</b>	<b>£000</b>

**Social Care and Housing Projects**

Disabled facilities Grants	1,619
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**Education Projects**

The Winchcombe School remodelling	4,638
Denefield School	4,189
Trinity School Sports Facilities	2,283
St Bartholemew's School rebuild	2,150
Theale Green School	1,856
Planned maintenance of schools and other education properties	1,717
Kintbury St Mary's Primary School	1,294
Chieveley Primary School	1,124
Secondary schools development strategy	985
Direct capital grants to schools	535
Speenhamland Primary School Phase II	403
Brookfields Special School	225

**Highways and Transport Improvements**

Carriageway Patching	1,136
Highway Reconditioning	1,009
Highways Emergency Maintenance	906
Eastern Vision Works	518
Essential Maintenance - Bridges	374
Canal Footbridge - Hungerford	364
Variable Message Signs	244
Thatcham Vision Works	235

**Other Council Projects**

Maintenance and health and safety of Council offices	1,196
Rationalisation of Council office accomodation	923
Development of site for integrated waste management facility at Padworth Sidings	835
Improvements to IT infrastructure and systems	208

<b>Total</b>	<b>30,966</b>
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**15f Leased Assets**

The Authority leases certain items of vehicles, office equipment and leisure equipment under the terms of an operating lease. These items are not the property of the Council and

consequently are not recorded in the Balance Sheet. The amount paid under these arrangements in 2011/12 was £705k (2010/11: £775k).

The Authority was committed at 31<sup>st</sup> March 2012 to making payments of £553k under operating leases (2010/11: £775k), comprising the following elements.

31 March 2011		Operating Leases Table 39	31 March 2012	
Other Land and Buildings 00	Vehicles, Plant and Equipment £000		Land and Buildings £000	Vehicles, Plant and Equipment £000
0	98	Not later than one year	0	31
0	336	Later than one year and not later than five years	32	409
65	228	Later than five years	27	54
<u>65</u>	<u>662</u>		<u>59</u>	<u>494</u>

### (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

2010/11 £000	Rental income Table 40	2011/12 £000
(384)	Rental income from Investment Properties	(385)
15	Direct operating expenses arising from investment properties	24
<u>(369)</u>	<b>Net (Gain)/loss</b>	<u>(361)</u>

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

2010/11 £000	Investment Properties Table 41	2011/12 £000
10,364	<b>Balance at start of year</b>	12,300
	<b>Additions</b>	
0	Purchases	0
327	Subsequent Expenditure	163
<u>327</u>	<b>Total additions</b>	<u>163</u>
0	<b>Disposals</b>	(445)
	<b>Other changes</b>	
1,715	Net gains/losses from fair value adjustments	153
(106)	To/from PPE	325
<u>1,609</u>	<b>Total other changes</b>	<u>478</u>
<u>12,300</u>	<b>Balance at end of year</b>	<u>12,496</u>

**(17) Private Finance Initiative – 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, built on Council owned land at Padworth Sidings. This £25.97m facility opened on 19<sup>th</sup> October 2011, and is recognised in the Balance Sheet from this month. However, whilst capital repayments actually commence from 1<sup>st</sup> 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<sup>th</sup> September 2032. The future payment stream is estimated as follows:

Padworth PFI payments 2010/11 £000	Table 42 Due within	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
0	Repayment in year	321	793	17,846	18,960
	<b>Deferred liability</b>				
17,846	Within 1 year	661	1,566	18,651	20,878
76,855	2 to 5 years	3,074	5,833	68,234	77,141
104,950	6 to 10 years	5,024	6,111	94,714	105,849
115,882	11 to 15 years	6,756	4,379	103,910	115,045
127,943	16 to 20 years	9,085	2,050	112,980	124,115
54,831	21 years plus	1,049	64	10,887	12,000
<b>498,307</b>		<b>25,970</b>	<b>20,796</b>	<b>427,222</b>	<b>473,988</b>

- 17b** These payments have been calculated to compensate Veolia for the fair value of the services provided, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. At the end of the contract this Padworth facility will revert back to the Council. The capital asset movement recognised by WBC with and the associated outstanding PFI liability for capital expenditure incurred by Veolia is:

Padworth PFI Asset movements & Liabilities	Table 43 31/03/12 £000
<b>Gross Book Value at the start of year</b>	<b>0</b>
Additions	25,970
Revaluations	0
<b>Gross Book Value at year-end</b>	<b>25,970</b>
<b>Depreciation at the start of year</b>	<b>0</b>
Depreciation	0
Impairments	0
<b>Depreciation at year-end</b>	<b>0</b>
<b>Net Book Value @ 31/03/12</b>	<b>25,970</b>
<b>Net Book Value @ 31/03/11</b>	<b>0</b>
<b>Balance outstanding at the start of year</b>	<b>0</b>
Repayment in year	321
Within 1 year	661
Deferred liability	24,988
<b>Balance outstanding at year-end</b>	<b>25,970</b>

## Notes to the Core Financial Statements

The Padworth facility will revert back from Veolia to WBC at no residual cost, it is therefore considered unnecessary to make any provision for the residual cost of the asset.

### (18) Inventory and Work in Progress

**18a Inventory** - is goods and materials charged to revenue, which has not been used by the end of year, at the end of the year it totaled £29k (2010/11: £63k) for the Nature Discovery Centre, the Museum, the Tourist Information centre and Shaw House. This stock is carried forward to be charged in the year it is used.

**18b WIP:** The Council has budgeted to spend £10,329k from April 2012 to March 2015 on major capital schemes on which construction had started before the end of March 2012. This compares with £15,931k budgeted at 31<sup>st</sup> March 2011. The contractual commitments on major capital schemes at the 31<sup>st</sup> March 2012 were as follows:

Contract payments			Capital commitments Table 44	Estimated contract cost £000	Contract payments		
prior to 01/04/10 £000	within 2010/11 £000	Estimated commitments at 31/03/11 £000			prior to 01/04/11 £000	within 2011/12 £000	Estimated commitments at 31/03/12 £000
20,475	12,006	2,141			St Bartholemew's School	34,623	32,481
0	1,080	2,516	Trinity School new sports facilities	3,596	1,080	2,232	284
0	386	5,306	The Winchcombe School	5,692	386	4,498	808
0	241	6,584	Denefield School	6,825	241	3,998	2,586
0	1,352	77	Brookfields Special School	1,429	1,352	26	51
0	1,736	1,264	Chieveley Primary	3,000	1,736	1,067	197
0	104	1,874	Theale Green School	1,978	104	1,804	70
0	0	1,953	Kintbury St Mary's Primary	1,953	0	1,239	714
			The Downs School-Science Block	3,875	0	309	3,566
200	591	20	North Thatcham Childrens Centre	811	791	20	0
136	1,618	175	Castle School	1,929	1,754	175	0
<u>20,811</u>	<u>19,114</u>	<u>21,910</u>		<u>65,711</u>	<u>39,925</u>	<u>17,369</u>	<u>8,417</u>

### (19) Debtors

**19a Debtors:** represents an income due within one year:

31/03/11 £000	Debtors Table 45	31/03/12 £000
3,227	Government Departments	2,468
2,990	Other Local Authorities	3,172
2,551	Collection Fund	2,660
2,624	Payments in Advance	1,659
6,816	Other Debtors	6,846
<u>18,208</u>	<b>Total Debtors</b>	<u>16,806</u>
<u>(1,238)</u>	<b>less provision</b>	<u>(1,640)</u>
<u>16,970</u>	<b>Total Debtors</b>	<u>15,166</u>

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

31/03/10 £000	Long-term Debtors Table 46	31/03/11 £000	Movement £000	31/03/12 £000
48	Property Charges	0	0	0
23	Employees Car Loans	20	13	33
27	Sale of Council Houses	19	(11)	8
449	School loans	339	(126)	213
5	Other Loans and Advances	12	(2)	10
<b>552</b>	<b>Total Long Term Debtors</b>	<b>390</b>	<b>(126)</b>	<b>264</b>

(20) Cash and cash equivalents

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

31/03/11 £000	Cash & Cash Equivalents Table 47	31/03/12 £000
1,281	Cash held by the Authority	1,188
(3,786)	Bank current accounts	(4,150)
4,385	Short Term Deposits with Building Societies	2,309
<b>1,880</b>	<b>Total</b>	<b>(653)</b>

Note

Bank current account figures for 31<sup>st</sup> March 2011 and 31<sup>st</sup> March 2012 represent the current account balance less the value of cheques issued by the Council which were unrepresented at that date, i.e. at 31<sup>st</sup> March 2012 a bank balance of £72k less unrepresented cheques with a value of £4,222k

(21) Creditors

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

31/03/11 £000	Creditors Table 48	31/03/12 £000
3,458	Central government bodies	10,315
26,027	Sundry creditors	22,545
13,703	Receipts in advance	5,479
<b>43,188</b>	<b>Total</b>	<b>38,338</b>



**(22) Provisions, contingent liability and contingent assets**

Provisions Table 49	Balance 31/03/11 £000	Receipts In Year £000	Payments in Year £000	Balance 31/03/12 £000
Crookham (extraction of minerals)	63	4	(62)	5
Provision for liabilities	1,114	96	(1,114)	96
Other Provisions	134	905	0	1,039
<b>Total Provisions</b>	<b>1,311</b>	<b>1,005</b>	<b>(1,176)</b>	<b>1,140</b>

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

Provisions for Liabilities have been disclosed as per the requirement of IAS (International Accounting Standards) 37. The provisions are where the Council has a liability related to the previous financial year (in this case 2011-12) that must be paid for in the new financial year. However, the timings and amount still has some uncertainty.

Other Provisions includes West Berkshires Council's share of future claims against Berkshire County Council's liabilities.

**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.

**(23) Carbon Reduction Commitment Scheme**

The Council has made a first year provision under the CRC Energy Efficiency Scheme of £154k.

**(24) Reserves and balances**

**24a Usable:** The authorities' usable reserves are made up as follows:

31/03/11 £000	Usable Reserves Table 50	31/03/12 £000
19	Deferred Credit	8
20	Usable Capital Receipt	0
37,360	Capital Reserves	28,928
777	Working balances	1,378
7,801	General Fund	7,780
15,386	Earmarked reserves	11,721
<b>61,363</b>	<b>Total usable reserves</b>	<b>49,815</b>

**24b Deferred Credit:** Representing sale of council houses.

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

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

**24e 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.

**24f 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.

<b>Earmarked Reserves</b> <b>Table 51</b>	<b>31/03/11</b> <b>£000</b>	<b>Receipts</b> <b>£000</b>	<b>Payments</b> <b>£000</b>	<b>31/03/12</b> <b>£000</b>
<b>Total Working Balances</b>	<b>777</b>	<b>601</b>	<b>0</b>	<b>1,378</b>
General Fund	7,201	0	(21)	7,180
Risk Fund	600	0	0	600
<b>Total General Reserve</b>	<b>7,801</b>	<b>0</b>	<b>0</b>	<b>7,780</b>
Schools Balances	7,145	0	(1,789)	5,356
Special Expenses	3	0	0	3
Supporting People Reserve	847	0	(847)	0
Self Insurance Fund	1,204	94	0	1,298
Long term commitment	2,841	0	(876)	1,965
Ex BCC Liabilities	159	114	0	273
Specific Earmarked Reserves	1,607	390	0	1,997
Waste Management Strategy	1,580	0	(751)	829
<b>Total Earmarked Reserves</b>	<b>15,386</b>	<b>598</b>	<b>(4,263)</b>	<b>11,721</b>
<b>Total General Fund</b>	<b>23,964</b>	<b>1,199</b>	<b>(4,263)</b>	<b>20,879</b>

**24g Schools Balances:**

<b>School balances</b> <b>2011/12</b> <b>Table 52</b>	<b>Nursery</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>	<b>Pupil Referral unit</b>	<b>Community focused</b>	<b>Secondary</b>	<b>Pupil Referral unit</b>	<b>Totals</b>
	<b>Revenue</b>					<b>Capital</b>		<b>Totals</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Opening balances</b>	89	2,749	551	388	(2)	709	2,642	19	7,145
Transfers to Academies	0	0	(371)	0	0	3	(233)	0	(601)
Restated balances	89	2,749	179	388	(2)	712	2,409	19	6,543
Movement	(31)	330	85	(111)	2	(614)	(839)	(8)	(1,186)
<b>Closing balances</b>	<b>58</b>	<b>3,079</b>	<b>264</b>	<b>277</b>	<b>0</b>	<b>98</b>	<b>1,570</b>	<b>11</b>	<b>5,357</b>
<b>Representing</b>									
Underspent	58	3,094	615	277	0	114	1,570	11	5,739
Overspent	0	(15)	(351)	0	0	(16)	0	0	(382)
Net balance	58	3,079	264	277	0	98	1,570	11	5,357

Opening balances have been restated to EXCLUDE the 4 secondary schools who converted to academy status during the financial year. If schools under spend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31<sup>st</sup> March 2012 Schools held total balances of £5,356k, of which £3,776k was revenue and £1,580k was capital.

The £5,357k is an amalgamation of unspent and overspent balances, of which £5,737k is the unspent (surplus) and £(382)k is the overspent (deficit) revenue. Two schools closed with a deficit revenue balance.

West Berkshire's Schools Forum has set a recommended maximum limit for balances on schools' delegated budgets of 8% Primary, Special, Nursery and 5% Secondary of the annual budget or £20k (whichever is the greater). In line with the Scheme for Financing Schools, those schools with balances in excess of these limits have been asked to explain the purposes for which their balances have been earmarked. Nineteen schools have closed with excess balances totalling £261k (2010/11: 17 schools & £276k). The Schools forum will consider explanations from schools at their July 2012 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:** these are the cumulative total of specific earmarked reserves held by the Council. These are held for a specific reason. The main items included within this are items provided for in the 2011/12 financial year to support the 2012/13 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**

31/03/11 £000	Unusable Reserves Table 53	31/03/12 £000
(4,095)	Accumulated Absences Account	(3,612)
48,409	Revaluation reserve	55,319
247,970	Capital Adjustment Account	214,664
(96,074)	Pension Reserve	(154,965)
(359)	Collection Fund	(988)
<b>195,851</b>	<b>Total Unusable Reserve</b>	<b>110,418</b>

- 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<sup>st</sup> 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.

2010/11 £000	Revaluation Reserve Table 54	20011/12 £000
41,837	<b>Opening Balance</b>	48,409
8,625	Upward revaluations of assets	12,049
(42)	Sold assets	(139)
(306)	Impaired assets	0
0	Academy Schools removed	(3,382)
(1,705)	Depreciation in year	(1,618)
<b>48,409</b>	<b>Closing Balance</b>	<b>55,319</b>

**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 acquisition, 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<sup>st</sup> April 2007, the date that the revaluation reserve was created to hold such gains.

2010/11 £000	PPE - Capital Adjustment Account Table 55	2011/12 £000
263,274	<b>Opening Balance</b>	247,970
97	Revenue contribution to capital	51
1,854	Capital receipts	111
12,513	Internally funded cap programme	20,899
1,565	Minimum Revenue Provision for loan repayment	760
15,155	Capital financing of REFCUS	9,832
(22,932)	REFCUS Assets charged	(11,981)
(19,970)	Depreciation	(18,624)
1,705	Historic cost depreciation adjustment	1,618
(1,108)	Write out asset values on disposal	(3,721)
42	Revaluation reserve re sold assets	139
(7,626)	Impaired assets	(882)
0	Academy schools removed	(33,218)
1,715	Revaluations Investment Properties	153
1,686	Principal payments	1,557
0	PFI asset	25,649
<b>247,970</b>	<b>Closing Balance</b>	<b>240,313</b>

**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.

2010/11 £000	Collection Fund Adjustment Account Table 56	2011/12 £000
(681)	Opening Balance	(359)
322	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	(629)
<u>(359)</u>	Closing Balance	<u>(988)</u>

**(26) Unapplied Capital Grants, Contributions and Receipts**

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

Unapplied Capital Grants and Contributions Table 57	31/03/11 £000	New Grants and Contributions £000	Amount applied to fund Capital £000	31/03/12 £000
Capital Grants and other Contributions Unapplied	(21,177)	(11,268)	17,973	(14,472)
Grants with conditions realised released to capital grants		(9,364)	9,364	0
<b>Capital grants &amp; other contributions unapplied</b>	<u>(21,177)</u>	<u>(20,632)</u>	27,337	<u>(14,472)</u>
Section 106 and SPG Contributions	(16,183)	(3,335)	5,062	(14,456)
<b>Total Unapplied Grants and Contributions</b>	<u>(37,360)</u>	<u>(23,967)</u>	<u>32,399</u>	<u>(28,928)</u>
<b>Grants with conditions realised released to capital grants</b>				
Brought forward balance taken to capital grants once condition met	<u>(8,773)</u>	<u>(591)</u>	<u>9,364</u>	<u>0</u>

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

2010/11 £000	Net Cashflow Table 58	2011/12	
		£000	£000
(684)	General Fund (Surplus) / Deficit	21	
	<b>Non Cash Transactions</b>		21
(423)	Contribution to/(from) Reserves		23,644
	<b>Items on an accruals basis</b>		
7	(Increase)/Decrease in Stock	34	
2,876	(Increase)/Decrease in Debtors	1,804	
10,804	Increase/(Decrease) in Creditors	(4,850)	
			(3,012)
12,580	<b>Items classified outside Revenue Activities</b>		20,653
<b>12,580</b>	<b>Net cashflows from operating activities</b>		<b>20,653</b>

(28) Cash flow Reconciliation to Balance Sheet

Cash flow reconciliation Table 59	31/03/11 £000	Movement £000	31/03/12 £000
Temporary Borrowing	8,625	(5,374)	3,251
Temporary Investments	0	(3,000)	(3,000)
Cash and cash equivalents	1,880	(2,533)	(653)

(29) Disclosure of Deployment of Dedicated Schools Grant

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

The Schools Budget is split between centrally retained expenditure and individual schools budgets. Centrally retained expenditure consists of a range of educational services provided on an authority-wide basis, mainly for children educated out of maintained school settings including special needs placements ( in both private establishments and in other Local Authorities), pupil referral units and nursery education in the private voluntary and independent sector. The Individual Schools Budget is divided into a budget share for each of the 76 maintained schools (2010/11: 80), based on a formula largely dependent on pupil numbers.

About 80-85% of spending by schools is on staffing, the remainder spent on building costs (utilities, rates, maintenance), contracts for support services, and curriculum/classroom resources.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Deployment of Dedicated School Grant Table 60	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2011/12			100,284
Brought forward from 2010/11			79
Carry forward to 2012/13 agreed in advance			0
<b>Agreed budgeted distribution in 2011/12</b>	<b>13,114</b>	<b>87,249</b>	<b>100,363</b>
Actual Central expenditure	(11,606)		(11,606)
Actual ISB deployed to schools		(87,181)	(87,181)
Local Authority contribution for 2011/12	0	0	0
<b>Carry forward to 2012/13</b>	<b>1,508</b>	<b>68</b>	<b>1,576</b>

### (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.

- 2011/12 Table page year end 31<sup>st</sup> March 2012 page 57
- 2010/11 Table page year end 31<sup>st</sup> March 2011 page 58

### (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 Best Value Accounting 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.

- 2011/12 Table page year end 31<sup>st</sup> March 2012 page 59
- 2010/11 Table page year end 31<sup>st</sup> March 2011 page 60



Notes to the Core Financial Statements

Adjustment between Accounting Basis and Funding Basis under Regulation 2011/12 Table 61		General Fund Balance	Deferred Credit	Useable Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Reserves		Total Authority Reserves
		£000	£000	£000	£000	Usable Reserves £000	Unusable Reserves £000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Depreciation		19,507	0	0	0	19,507	(19,507)	0
<i>Being charges for depreciation and revaluation losses of non-current assets</i>								
Investments		(153)	0	0	0	(153)	153	0
<i>Being movements in the fair value of investment properties</i>								
Grants applied		111	0	0	(32,399)	(32,288)	32,288	0
<i>Being capital grants and contributions applied</i>								
Revenue funded		11,981	0	0	0	11,981	(11,981)	0
<i>Being revenue expenditure funded from capital under statute</i>								
Disposals		3,721	0	0	0	3,721	(3,721)	0
Removal of Academies		36,600	0	0	0	36,600	(36,600)	0
<i>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</i>								
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Statutory provision		(760)	0	0	0	(760)	760	0
<i>Being statutory provision for the financing of capital investment</i>								
Capital expenditure		(51)	0	0	0	(51)	51	0
<i>Being capital expenditure charged against the General Fund and HRA</i>								
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
Grants unapplied		(23,967)	0	0	23,967	0	0	0
<i>Being capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement</i>								
<b>Adjustments primarily involving the Capital Receipts Reserve</b>								
Cash transfer		(80)	(11)	91	0	0	0	0
<i>Being transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</i>								
Capital Receipts		0	0	(111)	0	(111)	111	0
<i>Being use of the Capital Receipts Reserve to finance new capital</i>								
<b>Adjustment primarily involving the Pensions Reserve</b>								
Reversals		11,973	0	0	0	11,973	(11,973)	0
<i>Being reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</i>								
Pension contributions		(8,061)	0	0	0	(8,061)	8,061	0
<i>Being employer's pension contributions and direct payments to pensioners payable in year</i>								
<b>Adjustment primarily involving the Collection Fund Adjustment Account</b>								
Council tax income		629	0	0	0	629	(629)	0
<i>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</i>								
<b>Adjustments primarily involving the Accumulated Absences Account</b>								
Remuneration		(484)	0	0	0	(484)	484	0
<i>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</i>								
<b>Total</b>		<b>50,966</b>	<b>(11)</b>	<b>(20)</b>	<b>(8,432)</b>	<b>42,503</b>	<b>(42,503)</b>	<b>0</b>
<i>Total Adjustments between accounting basis and funding basis under regulations</i>								



Notes to the Core Financial Statements

Adjustment between Accounting Basis and Funding Basis under Regulation 2010/11 Table 62	General Fund Balance		Useable Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Reserves		Total Authority Reserves
	£000	£000	£000	£000	Usable Reserves £000	Unusable Reserves £000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Depreciation	27,596	0	0	0	27,596	(27,596)	0
<i>Being charges for depreciation and impairment of non-current assets</i>							
Investments	(1,715)	0	0	0	(1,715)	1,715	0
<i>Being movements in the market value of investment properties</i>							
Grants applied				(29,355)	(29,355)	29,355	0
<i>Being capital grants and contributions applied</i>							
Revenue funded	22,932	0	0	0	22,932	(22,932)	0
<i>Being revenue expenditure funded from capital under statute</i>							
Disposals	1,108	0	0	0	1,108	(1,108)	0
<i>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</i>							
<b>Insertion of items not debited or credited to the Income and Expenditure Statement</b>							
Statutory provision	(1,565)	0	0	0	(1,565)	1,565	0
<i>Being statutory provision for the financing of capital investment</i>							
Capital expenditure	(97)	0	0	0	(97)	97	0
<i>Being capital expenditure charged against the General Fund &amp; HRA balances</i>							
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Grants unapplied	(24,666)	0	0	24,666	0	0	0
<i>Being capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement</i>							
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Cash transfer	(1,261)	(7)	1,268	0	0	0	0
<i>Being transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</i>							
Capital receipts	0	0	(1,854)	0	(1,854)	1,854	0
<i>Being use of the Capital Receipts Reserve to finance new capital</i>							
<b>Adjustment primarily involving the Pensions Reserve:</b>							
Reversal	(11,286)	0	0	0	(11,286)	11,286	0
<i>Being reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Pension contributions	(8,563)	0	0	0	(8,563)	8,563	0
<i>Being employer's pension contributions and direct payments to pensioners payable in year</i>							
<b>Adjustment primarily involving the Collection Fund Adjustment</b>							
Council tax income	(322)	0	0	0	(322)	322	0
<i>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</i>							
<b>Adjustments primarily involving the Accumulated Absences Account:</b>							
Remuneration	(306)	0	0	0	(306)	306	0
<i>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</i>							
<b>Total</b>	<b>1,855</b>	<b>(7)</b>	<b>(586)</b>	<b>(4,689)</b>	<b>(3,427)</b>	<b>3,427</b>	<b>0</b>
<i>Total Adjustments between accounting basis and funding basis under regulations</i>							

## Notes to the Core Financial Statements

### Directorate Expenditure for the year ended 31 March 2012

Comprehensive Income and Expenditure Statement (CI&ES) Table 63	Children & young people £000s	Adult Social Services £000s	Environment £000s	Chief Executive £000s	Below the line items £000s	Total £000s
Fees, charges & other service income	(3,854)	(7,640)	(7,092)	(3,366)	(1,426)	(23,378)
Government grants	(115,060)	(4,336)	(3,438)	(49,048)	0	(171,882)
<b>Total Income</b>	<b>(118,914)</b>	<b>(11,976)</b>	<b>(10,530)</b>	<b>(52,414)</b>	<b>(1,426)</b>	<b>(195,260)</b>
Employee expenses	16,641	15,463	10,502	10,882	1,772	55,260
Other operating expenses	129,177	45,852	30,645	53,976	4,809	264,459
Support Service Recharges						0
<b>Total operating expenses</b>	<b>145,818</b>	<b>61,315</b>	<b>41,147</b>	<b>64,858</b>	<b>6,581</b>	<b>319,719</b>
<b>Net Cost of Services</b>	<b>26,904</b>	<b>49,339</b>	<b>30,617</b>	<b>12,444</b>	<b>5,155</b>	<b>124,459</b>

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	£000
Cost of Services in Service Analysis	124,459
Add services not included in main analysis	0
Add amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	80,251
Remove amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	(4,389)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>200,321</b>

Reconciliation to Subjective Analysis	Service Analysis £000	Services not in the 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	(22,791)	0	(267)	0	0	(23,058)	0	(23,058)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	(587)	0	0	0	0	(587)	0	(587)
Income from council tax	0	0	0	0	0	0	(82,301)	(82,301)
Government grants and contributions	(171,882)	0	8,773	0	0	(163,109)	(69,232)	(232,341)
<b>Total Income</b>	<b>(195,260)</b>	<b>0</b>	<b>8,506</b>	<b>0</b>	<b>0</b>	<b>(186,754)</b>	<b>(151,533)</b>	<b>(338,287)</b>
Employee expenses	55,260	0	493	0	7,710	63,463	0	63,463
Other service expenses	264,459	0	13,151	0	3,156	280,766	7,248	288,014
Support Service recharges	0	0	0	0	(12,730)	(12,730)	0	(12,730)
Depreciation, amortisation, impairment and disposal	0	0	58,101	(99)	1,864	59,866	(368)	59,498
Interest Payments	0	0	0	(4,164)	0	(4,164)	3,577	(587)
Precepts & Levies	0	0	0	(126)	0	(126)	126	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(99)	(99)
<b>Total operating expenses</b>	<b>319,719</b>	<b>0</b>	<b>71,745</b>	<b>(4,389)</b>	<b>0</b>	<b>387,075</b>	<b>10,484</b>	<b>397,559</b>
<b>Surplus or deficit on the provision of services</b>	<b>124,459</b>	<b>0</b>	<b>80,251</b>	<b>(4,389)</b>	<b>0</b>	<b>200,321</b>	<b>(141,049)</b>	<b>59,272</b>

## Notes to the Core Financial Statements

Directorate Expenditure for the year ended 31<sup>st</sup> March 2011

Comprehensive Income & Expenditure Statement (CI&ES) Table 64	Children & young people £000	Adult Social Services £000	Environment £000	Chief Executive £000	Below the line items £000	Total £000
Fees, charges & other service income	(2,470)	(7,004)	(6,016)	(2,529)	(1,187)	(19,206)
Government grants	(139,279)	(8,933)	(3,467)	(47,599)	0	(199,278)
<b>Total Income</b>	<b>(141,749)</b>	<b>(15,937)</b>	<b>(9,483)</b>	<b>(50,128)</b>	<b>(1,187)</b>	<b>(218,484)</b>
Employee expenses	19,549	17,859	10,297	11,685	2,501	61,891
Other operating expenses	146,278	45,927	28,916	50,768	1,610	273,499
Support Service Recharges						0
<b>Total operating expenses</b>	<b>165,827</b>	<b>63,786</b>	<b>39,213</b>	<b>62,453</b>	<b>4,111</b>	<b>335,390</b>
<b>Net Cost of Services</b>	<b>24,078</b>	<b>47,849</b>	<b>29,730</b>	<b>12,325</b>	<b>2,924</b>	<b>116,906</b>

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

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

## 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.

2010/11	Collection Fund Income & Expenditure Account		2011/12	
£000	Table 65	notes	£000	£000
	<b>Income</b>			
(94,157)	Council Tax	1	(94,541)	
(67,555)	National Non-domestic rates	2	(80,276)	
(440)	Government Grants	3	(431)	
<b>(162,152)</b>	<b>Total Income</b>			<b>(175,248)</b>
	<b>Expenditure</b>			
	Precepts & Demands:	4		
81,845	West Berkshire Council		82,616	
9,783	Thames Valley Police Authority		9,880	
3,529	Royal Berkshire Fire Authority		3,564	
95,157				96,060
(436)	Transfer to General Fund in respect of estimated distribution of deficit in respect of Council Tax	5		(366)
	Non-Domestic Rates:			
67,026	payments to the pool	2	79,295	
247	costs of collection		251	
67,273				79,546
(500)	Provision for non-payment of Council Tax	6		9
282	Provision for non-payment of NNDR	7		730
<b>161,776</b>	<b>Total Expenditure</b>			<b>175,979</b>
<b>(376)</b>	<b>(Surplus)/Deficit</b>			<b>731</b>
794	(Surplus)/deficit brought forward			418
(376)	(Surplus)/deficit for year			731
<b>418</b>	<b>(Surplus)/deficit carried forward</b>			<b>1,149</b>

## Collection Fund Account

### (1) Council Tax

A system of charging revenue called Council tax (based on property) was introduced on 1<sup>st</sup> April 1993 and replaced the Community Charge (based on people).

2010/11 £000	Council Tax Table 66	2011/12	
		£000	£000
103,459	Opening Debit	103,911	
10,820	Plus additional debit	0	
<u>114,279</u>			103,911
(10,706)	Less reduced debit	0	
(2,668)	Exemptions	(2,619)	
(6,663)	Discounts	(6,659)	
(85)	Disabled relief	(91)	
<u>(20,122)</u>			(9,369)
<u><b>94,157</b></u>	<b>Net Debit</b>		<u><b>94,542</b></u>

### (2) National Non-Domestic Rates

As from 1<sup>st</sup> April 1994 each Authority received its National Non-Domestic rates (NNDR) income direct from the central pool rather than it passing through the Collection Fund. The entry in the Collection Fund relates to the collection fund contribution to the pool. The opening debit is arrived at by multiplying the total rateable value by the rate poundage (45.8 pence in the pound).

2010/11 £000	National Non-Domestic Rates Table 67	2011/12	
		£000	£000
72,367	Opening Debit	83,664	
821	Debit Adjustment b/f	1,306	
<u>73,188</u>			84,970
(4,055)	Less empty and revalued properties	(2,634)	
(218)	Interest payments to the pool	(16)	
1,470	Transitional relief	2,543	
(2,776)	Mandatory relief	(4,509)	
(55)	Discretionary relief	(78)	
<u>(5,634)</u>			(4,694)
<u><b>67,554</b></u>	<b>NET DEBIT</b>		<u><b>80,276</b></u>
247	Costs of Collection		251
282	Contribution to Bad Debt Provision		730
<u>67,026</u>	Net Contribution to pool		<u>79,295</u>
<u><b>67,555</b></u>			<u><b>80,276</b></u>

### (3) Government Grants

A £431k (2010/11: 440k) 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. Thames Valley Police and Royal Berkshire Fire Authority precept directly on the Collection Fund.

## Collection Fund Account

### (5) Transfer to the General Fund

This represents a transfer to the general fund in respect of the estimated surplus on the collection fund as at 31<sup>st</sup> March 2011. The deficit is shared between the precepting bodies, West Berkshire Council received £314k (2010/11: £375k), the Thames Valley Police £38k (2010/11: £45k) and the Fire Authority £14k (2010/11: £16k).

### (6) Provision For Non Payment of Council Tax

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

2010/11 £000	Non-payment of Council Tax Provision Table 68	2011/12 £000
352	<b>Opening Balance</b>	150
(500)	Transfer from Income & Expenditure Account	9
298	Write Offs in the Year	(9)
<u>150</u>	<b>Closing Balance</b>	<u>150</u>

### (7) Provision for non-payment of NNDR

2010/11 £000	Non-payment of NNDR Provision Table 69	2011/12 £000
543	<b>Opening Balance</b>	543
282	Transfer from the Income and Expenditure Account	730
(282)	Write Offs in the Year	(730)
<u>543</u>	<b>Closing Balance</b>	<u>543</u>

### (8) Council Tax Base

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

Council Tax Base Table 70	Band	Net Dwellings £0.00	Multiplier	Band D Equivalent £0.00
	Disabled	0.00	5/9	0.00
	up to £40,000	1,840.85	6/9	1,244.88
over £40,000	up to £52,000	5,173.65	7/9	4,017.21
over £52,000	up to £68,000	16,793.70	8/9	15,004.87
over £68,000	up to £88,000	15,556.85	9/9	15,649.50
over £88,000	up to £120,000	9,473.00	11/9	11,673.98
over £120,000	up to £160,000	6,057.40	13/9	8,802.35
over £160,000	up to £320,000	3,936.70	15/9	6,660.90
over £320,000		611.55	18/9	1,233.40
				<u>64,287.09</u>
			Adjustment for Losses on Collection x	0.993
				<u><b>63,837.08</b></u>

### Glossary

**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 2010/11 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).

**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.

**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.

**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<sup>st</sup> 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<sup>st</sup> April 2007.

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

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

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

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

**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

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

# Agenda Item 6.

<b>Title of Report:</b>	<b>Amendments to Parts 9 and 10 of the Council's Constitution</b>
<b>Report to be considered by:</b>	Council
<b>Date of Meeting:</b>	27 September 2012
<b>Forward Plan Ref:</b>	C2459

**Purpose of Report:** To consider changes to the Financial Rules of Procedure and Protocols in light of legislation changes following a review by the Finance and Governance Group.

**Recommended Action:** To discuss the proposed and any additional revisions to Parts 9 and 10 of the Constitution and to recommend the agreed amendments to full Council for approval.

**Reason for decision to be taken:** To ensure that the Council has established a Constitution that is in accordance with statutory requirements / good practice and that there are processes in place ensuring the effective management and maintenance of the Constitution in accordance with good practice guidelines (e.g. CIPFA / SOLACE Code of practice for Corporate Governance)

**Other options considered:** None

**Key background documentation:** The Local Government Act 2000 (Constitution) (England) Direction 2000

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

**CSP9 - 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 Constitution is up to date and applies with legislation.

Member Details	
<b>Name &amp; Telephone No.:</b>	Councillor Jeff Beck (Chairman of Governance and Audit Committee) – Tel (01635) 44770
<b>E-mail Address:</b>	jbeck@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	29 August 2012
Contact Officer Details	
<b>Name:</b>	Joseph Holmes
<b>Job Title:</b>	Chief Accountant
<b>Tel. No.:</b>	01635 519474
<b>E-mail Address:</b>	jholmes@westberks.gov.uk

## Implications

**Policy:** Will include changes to the Constitution.  
**Financial:** None – will be undertaken within existing resources.  
**Personnel:** None.  
**Legal/Procurement:** Will include changes to the Constitution.  
**Property:** None.  
**Risk Management:** None.  
**Equalities Impact Assessment:** Stage 1 EIA completed.

Is this item subject to call-in?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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	<input checked="" type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	
Report is to note only	<input type="checkbox"/>	

## **Executive Summary**

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### **1. Introduction**

- 1.1 Following an internal audit of the Management of the Constitution in 2010 it was noted that one of the responsibilities of the Finance and Governance Group is to review the Council's Constitution on a regular basis. The content of the Local Code of Corporate Governance says that there will be an annual review of the operation of the Constitution.
- 1.2 A timetable has now been established for the Finance and Governance Group to review individual sections of the Constitution and a number of Officers have been involved in revising specific parts of the Constitution. This report proposes amendments to Parts 9 and 10 of the Constitution.

### **2. Proposals**

- 2.1 That the amendments to Parts 9 and 10 of the Council's Constitution are approved in order to ensure that the Council has established a Constitution that is in accordance with statutory requirements / good practice and that there are processes in place ensuring the effective management and maintenance of the Constitution in accordance with good practice guidelines (e.g. CIPFA / SOLACE Code of Corporate Governance).

### **3. Equalities Impact Assessment Outcomes**

- 3.1 EIA Stage 1 attached as Appendix A.

### **4. Conclusion**

- 4.1 The report is a required update to consider amendments to the Financial Rules of Procedure and Protocols in light of legislation changes.

# Executive Report

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## 1. Introduction

1.1 The internal audit review of the Constitution made a number of recommendations to enhance the management of the Constitution including:

- (1) That the Finance and Governance Group should establish a process to review the content and application of the Constitution on an annual basis in accordance with the requirements of the Council's Local Code of Corporate Governance.
- (2) That members of the Finance and Governance Group are allocated responsibility for maintaining specific Articles and Rules of the Constitution.
- (3) That the Finance and Governance Group should monitor progress of proposed amendments to the Constitution to ensure that they are appropriately approved and published.

1.2 A timetable was established for the Finance and Governance Group to review individual sections of the Constitution and relevant Officers have been allocated responsibility for maintaining specific parts of the Constitution. Given the wide ranging nature of the Constitution a number of Officers have contributed to the review of each Part. This report proposes amendments to Parts 9 and 10 of the Constitution.

## 2. Outline of the changes

2.1 Part 9 – Budget and Policy Framework Rules of Procedure

- (1) Remove and amend sections around 9.2.5 to better clarify the wording;
- (2) Changes to in-year budgets due to Central Government funding changes requiring a report to Executive - the £100k mark was removed as 1% of the budget is always over £1m, not £100k. This is amending an error in the original constitution.

2.2 Part 10 – Financial Rules of Procedure

- (1) Minor amendments on the roles and responsibilities of Heads of Service (section 10.2.9)

## 3. Conclusion

3.1 The report is a required update to consider amendments to the Financial Rules of Procedure and Protocols in light of legislation changes.

## Appendices

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Appendix A – Equality Impact Assessment – Stage 1

Appendix B – Part 9 of the Constitution

Appendix C – Part 10 of the Constitution

## **Consultees**

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**Local Stakeholders:** Not consulted

**Officers Consulted:** Finance and Governance Group, Corporate Board

**Trade Union:** Not consulted

## Equality Impact Assessment – Stage One

<b>Name of item being assessed:</b>	Amendments to Parts 9 and 10 of the Council's Constitution
<b>Version and release date of item (if applicable):</b>	
<b>Owner of item being assessed:</b>	Andy Walker
<b>Name of assessor:</b>	Joseph Holmes
<b>Date of assessment:</b>	17 July 2012

<b>1. What are the main aims of the item?</b>
The item is to approve the amendments to Parts 9 and 10 of the Council's Constitution.

<b>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.</b> (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this.</b>
<b>Further comments relating to the item:</b>		
There are not believed to be any implications affecting any groups with this item. The item is to discuss the proposed amendments to Parts 9 and 10 of the Council's Constitution. This means that Officers making decisions will be required to act according to Council Policy already in place, and remain neutral when making a decision.		

<b>3. Result (please tick by clicking on relevant box)</b>	
<input type="checkbox"/>	<b>High Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Medium Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Low Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input checked="" type="checkbox"/>	<b>No Relevance</b> - This <b>does not</b> 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.**

<b>4. Identify next steps as appropriate:</b>	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	x

**Name:** Joseph Holmes

**Date:** 17 July 2012

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## Part 9

### Budget and Policy Framework Rules of Procedure

#### Document Control

<b>Document Ref:</b>	WB/P&C/MF/2008-11	<b>Date Created:</b>	May 2007
<b>Version:</b>	2	<b>Date Modified:</b>	May 2011
<b>Revision due</b>			
<b>Author:</b>	Moirra Fraser – Democratic Services Manager		
<b>Owning Service</b>	Policy and Communication		

#### Change History

Version	Date	Description	Change ID
1	May 2011	Renumbered as Part 9 (Previously Part 10)	9.2.2, 9.2.4, 9.2.5, 9.2.6, 9.2.7, 9.4.1, 9.4.4
2			
3			



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## 9.1 The Framework for Executive Decisions

The Council will be responsible for the adoption of its Budget and Policy Framework as set out in Article 5 in Part 2 of this Constitution. Once the Budget and Policy Framework is in place, it will be the responsibility of the Executive to implement it.

## 9.2 Process for Developing the Framework

### 9.2.1 Publication

The Executive will publicise, by including in the Forward Plan, a timetable for making proposals to the Council for the adoption of any plan, strategy, policy or budget that forms part of the Budget and Policy Framework, and its arrangements for consultation after publication of those initial proposals. The Chairman of the Overview and Scrutiny Management Commission will also be notified.

### 9.2.2 Role of the Overview and Scrutiny Management Commission and Select Committees

As the Overview and Scrutiny Management Commission and any of its Sub-Committees have responsibility for fixing their own work programme, it is for them to investigate, research or report in detail with policy recommendations before the end of the consultation period, if they so wish. The Executive will take any response from a Commission or Scrutiny Committee into account in drawing up firm proposals for submission to the Council and its report to Council will reflect the comments made by consultees and the Executive's response.

### 9.2.3 Role of Council

The Council will consider the proposals of the Executive and may adopt them, amend them, refer them back to the Executive for further consideration, or substitute its own proposals in their place.

### 9.2.4 Notification of Council Decisions

The Council's decision will be publicised in accordance with Part 4 of this Constitution and a copy shall be given to the Leader of the Council. The notice of decisions shall be dated and shall state either that the decision shall be effective immediately (if the Council accepts the Executive's proposal without amendment) or (if the Executive's proposal is not accepted without amendment), that the Council's decision will become effective on the expiry of five clear working days after the publication of the notice of decision, unless the Leader of the Council or his/her nominated deputy formally objects in that period.

### 9.2.5 Reconsideration by Council following Objections

The Council meeting must take place within ten clear working days of the receipt of the Leader of the Council's written objection. At that Council meeting, the decision of the Council shall be reconsidered in the light of the objection, which shall be available in writing for the Council.

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If the Leader of the Council objects to the decision of the Council, they shall give written notice to

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The Council shall, at that meeting, make its final decision on the matter on the basis of a simple majority. The decision shall be made public in accordance with Part 4 of this Constitution, and shall be implemented immediately.

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### **9.2.6 Extent of Virement by Executive**

In approving the Budget and Policy Framework, the Council will also specify the extent of virement within the Budget and degree of in-year changes to the Policy Framework which may be undertaken by the Executive, in accordance with paragraphs 9.4.4 (Virement) and 9.4.5 of these Rules (In-Year Changes to Policy Framework). Any other changes to the Budget and Policy Framework are reserved to the Council.

## **9.3 Decisions Outside the Budget and Policy Framework**

### **9.3.1 Scope**

Subject to the provisions of Rule 9.4.4 (Virement), the Executive, Committees of the Executive, individual Members of the Executive and any Officers or joint arrangements discharging Executive functions may only take decisions which are in line with the Budget and Policy Framework. If any of these bodies or persons wishes to make a decision which is contrary to the Policy Framework, or contrary to or not wholly in accordance with the Budget approved by full Council, then that decision may only be taken by the Council, subject to Rules 9.4.1 to 9.4.3 below.

### **9.3.2 Advice on Decisions**

If the Executive, Committees of the Executive, individual Members of the Executive and any Officers or joint arrangements discharging Executive functions want to make such a decision, they shall take advice from the Monitoring Officer and/or the Section 151 Officer or nominated Officer as to whether the decision they want to make would be contrary to the Policy Framework, or contrary to or not wholly in accordance with the Budget. If the advice of either of those Officers is that the decision would not be in line with the existing Budget and/or Policy Framework, then the decision must be referred by that body or person to the Council for decision, unless the decision is a matter of urgency, in which case the provisions in Rules 9.4.1 to 9.4.3 (Urgent Decisions Outside the Budget and Policy Framework) shall apply.

## **9.4 Urgent Decisions Outside the Budget and Policy Framework**

### **9.4.1 Basic Rules**

The Executive, Committee(s) of the Executive, individual Members of the Executive and any Officers or joint arrangements discharging Executive functions may take a decision which is contrary to the Council's Policy Framework or contrary to or not wholly in accordance with the Budget approved by full Council if the decision is a matter of urgency. However, the decision may only be taken:



- if it is not practical to convene a quorate meeting of the full Council; and
- if the Chairman of the Overview and Scrutiny Management Commission agrees that the decision is a matter of urgency.

#### 9.4.2 Notification of Decision not to Call Quorate Meeting

The reasons why it is not practical to convene a quorate meeting of full Council and the Chairman of the Overview and Scrutiny Management Commission's consent to the decision being taken as a matter of urgency must be noted on the record of the decision. In the absence of the Chairman of the Overview and Scrutiny Management Commission, the consent of the Chairman of the Council, and in the absence of both, the Vice-Chairman, will be sufficient.

#### 9.4.3 Report to Council

Following the decision, the decision-taker will provide a full report to the next available Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

#### 9.4.4 Virement

Steps taken by the Executive, Committee(s) of the Executive, an individual Member of the Executive and any Officers or joint arrangements discharging Executive functions to implement Council policy shall not exceed those budgets allocated to each budget head. However, such bodies or individuals shall be entitled to vire across budget heads up to £250,000, with a limit per individual virement of £100,000 compared to the budget approved by Council and detailed in the annual budget produced by the 1<sup>st</sup> April each year. In the case of Executive Members, virement will also require the agreement of the Leader. Beyond that limit, approval to any virement across budget heads shall require the approval of the full Council, delegated to the Executive.

All virements over £50,000 between directorates must be reported to the Council, delegated to the Executive. Any in year unplanned contributions from reserves will need to be reported by the Executive; those at year end are considered by the Governance and Audit Committee as part of approving the Council's financial statements. Financial Rules on use of funds in an emergency are set out in Part 10 of this Constitution (Financial Rules of Procedure).

Any in-year amendments from central government to the Council's net budget of over / under 1% of the net budget approved by the Council will require the sign off of the Portfolio Holder for Finance on the advice of the Section 151 Officer, followed by a report to the Executive outlining the changes if they are over the 1%.

Any Support Service Recharges (allocation of overheads) for accounting purposes are excluded from the above.

#### 9.4.5 In-Year Changes to Policy Framework

The responsibility for agreeing the Budget and Policy Framework lies with the Council, and decisions by the Executive, Committees of the Executive, an individual Member of the Executive and any Officers or joint

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arrangements discharging Executive functions must be in line with it. Changes to any policy or strategy can only be made by the Executive, who shall take the advice of the Monitoring Officer and/or Section 151 Officer or nominated Officer, where it:

- will result in the closure or discontinuance of a service or part of service to meet a budgetary constraint;
- is necessary to ensure compliance with the law, ministerial direction or Government guidance;
- is in relation to the Policy Framework in respect of a policy which would normally be agreed annually by the Council following consultation, but where the existing policy document is silent on the matter under consideration.

## **9.5 Call-in of Decisions Outside the Budget or Policy Framework**

### **9.5.1 Officer Advice on Decisions**

Where the Overview and Scrutiny Management Commission is of the opinion that an Executive decision is, or if made would be, contrary to the Policy Framework, or contrary to or not wholly in accordance with the Council's Budget, then it shall seek advice from the Monitoring Officer and/or section151 Officer or nominated Officer.

### **9.5.2 Reports to Executive**

In respect of functions which are the responsibility of the Executive, the Monitoring Officer's report and/or Section 151 Officer or nominated Officer's report shall be sent to the Executive with a copy to every Member of the Council. Regardless of whether the decision is delegated or not, the Executive must meet to decide what action to take in respect of the Monitoring Officer's report and to prepare a report to Council in the event that the Monitoring Officer or the Section 151 Officer or nominated Officer conclude that the decision was a departure, and to the Overview and Scrutiny Management Commission if the Monitoring Officer or the section151 Officer or nominated Officer conclude that the decision was not a departure.

### **9.5.3 Referring Decisions to Council**

If the decision has yet to be made, or has been made but not yet implemented, and the advice from the Monitoring Officer and/or the Section 151 Officer or nominated Officer is that the decision is or would be contrary to the Policy Framework or contrary to or not wholly in accordance with the Budget, the Overview and Scrutiny Management Commission may refer the matter to Council. In such cases, no further action will be taken in respect of the decision or its implementation until the Council has met and considered the matter. The Council shall meet within ten clear working days of the request by the Overview and Scrutiny Management Commission. At the meeting it will receive a report of the decision or proposals and the advice of the Monitoring Officer and/or the Section 151 Officer or nominated Officer. The Council may either:

- endorse a decision or proposal of the Executive decision-taker as falling within the existing Budget and Policy Framework. In this case no further action is required, save that the decision of the Council be minuted and circulated to all [Councilors](#) in the normal way; or
- amend the Council's Financial Rules of Procedure or the policy concerned to encompass the decision or proposal of the body or individual responsible for that Executive function and agree to the decision with immediate effect. In this case, no further action is required save that the decision of the Council be minuted and circulated to all [Councilors](#) in the normal way; or
- where the Council accepts that the decision or proposal is contrary to the Policy Framework or contrary to or not wholly in accordance with the Budget, and does not amend the existing Framework to accommodate it, it will require the Executive to reconsider the matter in accordance with the advice of either the Monitoring Officer and/or Section 151 Officer or nominated Officer.

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## Part 10

### Financial Rules of Procedure

#### Document Control

<b>Document Ref:</b>	WB/P&C/MF/2008-11	<b>Date Created:</b>	May 2007
<b>Version:</b>	1	<b>Date Modified:</b>	May 2011
<b>Revision due</b>			
<b>Author:</b>	Moirra Fraser – Democratic Services Manager		
<b>Owning Service</b>	Policy and Communication		

#### Change History

Version	Date	Description	Change ID
1	Kay 2011	Changed to Part 10 (was Part 11) Nearly all paragraphs changed.	
2			
3			



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## **10.1 Introduction**

### **10.1.1 Procedures**

Any organisation with a large financial turnover needs to lay down the procedures to be observed in its financial dealings. Such procedures are especially necessary in the case of a local authority which is limited by legislation in what it is able to do, is subject to statutory audit and must account for its actions and stewardship to the general public.

### **10.1.2 Section 151 of the Local Government Finance Act 1972**

Section 151 of the Local Government Finance Act 1972 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has responsibility for the administration of those affairs.

The Head of Finance or nominated officer shall for the purposes of Section 151 of the Local Government Act 1972 be responsible, under the general direction of the Executive, for the proper administration of the Council's financial affairs.

### **10.1.3 Statutory Responsibility of Head of Finance or Nominated officer and Others**

The Head of Finance or nominated officer (Section 151 Officer) has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due to, and expenditure made on behalf of, the Council and that controls operate to protect the Council's assets from loss, waste, fraud or other impropriety.

The Head of Finance or nominated officer shall discharge that responsibility in part by the issue and maintenance of these Financial Rules of Procedure.

The Council is responsible for the adoption of its Budget and Policy Framework. The Executive is responsible for implementing the Budget and Policy Framework, which includes regulating and controlling the finances of the Council.

Heads of Service are individually responsible for the proper financial management of resources allocated to their operational areas through the budget-making process, and for the identification of all income arising from the activities within those areas. This responsibility includes the accountability for and control of staff, and the security, custody and management of assets including plant, equipment, buildings, materials, cash and stores. Each Head of Service shall in consultation with the Head of Finance or nominated officer devise and implement controls and procedures as are necessary in accordance with these Financial Rules of Procedure.

It is the Head of Finance or nominated officer who will take ultimate responsibility for ruling on the controls and procedures which each Head of Service puts in place.

### 10.1.4 Purpose of Financial Rules of Procedure

The purpose of these rules is therefore to set down in one document, for the benefit of Members and Officers, basic financial rules and guidance in order that everyone works to an approved common standard in the financial dealings of the Council. They do not over-ride the requirement to observe statute, including EC Directives, in everyday matters.

These Financial Rules of Procedure apply to all areas of the Council and should be read in conjunction with the rest of the Council's Constitution.

### 10.1.5 Financial Rules as Applying to Schools (Fair Funding Scheme)

In relation to Schools operating under the Council's Fair Funding Scheme the basis for advice and guidance to governors and head teachers is contained in these Financial Rules and also in the Council's Contract Rules of Procedure.

Under West Berkshire's Scheme of Local Management for Schools (Fair Funding), governors will be required to observe certain financial conditions relating to:

- arrangements for the management of delegated expenditure, in particular for authorising expenditure, or transactions involving commitments to expenditure;
- the keeping and auditing of accounts and records (including school funds);
- the provision to the LEA of copies of accounts and records (including school funds) and any other relevant documents and information that the LEA may, from time to time, require from the governing body.
- [Entering into finance leases: this is prohibited without the consideration and permission of the Head of Finance](#)

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### 10.1.6 Emergency Situations

The provision of these rules does not prevent the Council acting through the Chief Executive, Corporate Director(s) or Heads of Service from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency or situation relating to Section 138 of the Local Government Act 1972. This is subject to the action being reported as soon as practicable to the appropriate authority.

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### 10.1.7 Scope of Financial Rules of Procedure

The purpose of these rules is to ensure that:

- Heads of Service remain within their budget and only spend what they have in their budget;
- Heads of Service maintain adequate commitment records;
- Heads of Service monitor their budgets;
- where there are any problems with overspend or failure to perform these problems are reported at the earliest opportunity;

- Heads of Service should have effective reporting arrangements from their budget holders;
- Corporate Directors should have effective reporting arrangements from their Heads of Service.

### 10.1.8 Unauthorised Overspend

The unauthorised overspend of a budget may lead to disciplinary action being taken against the budget holder. The unauthorised overspend overall by a service may lead to disciplinary action being taken against the Head of Service.

### 10.1.9 Non-Compliance with Rules

The Head of Finance or nominated officer must, after consultation with the relevant Head of Service, report to the Executive any non-compliance with the Financial Rules that come to their attention.

### 10.1.10 Approval of Head of Finance or Nominated officer

Where matters are to be considered by the Executive that in any way affect the finances of the Council or that require the supply of financial information by the Head of Finance or nominated officer, the Head of Finance or nominated officer must be notified by the Head of Service concerned, in sufficient time, to enable the Head of Finance or nominated officer to report. This means that the Head of Finance or nominated officer or a nominated representative must approve all financial implications on all committee reports.

### 10.1.11 Interpretation of Rules

Any doubt as to the interpretation of these regulations must, if unresolved after consultation with the Chief Executive, be referred to the Executive.

## 10.2 The Legal Framework

### 10.2.1 Powers of the Monitoring Officer

The Monitoring Officer has powers under Part 3 of the Local Government Act 2000 to conduct investigations which will include investigations into any breach of these Financial Rules of Procedure, and to report these breaches to the Standards Committee.

### 10.2.2 Current Regulations

The Statutes and Statutory Instruments and Regulations which currently affect these rules are as follows:

- Local Government Finance Act 1972 – Section 151 requires every local authority to make arrangements for the proper administration of its financial affairs and requires the local authority to ensure that one of its Officers has responsibility for the administration of those affairs.
- The Accounts and Audit Regulations 2011, – Section 5 requires the accounting system, the form of its accounts and supporting accounting records to be determined by the responsible Financial Officer who shall ensure that the accounting systems determined by them are observed and that the accounts

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and supporting records of the body are maintained in accordance with proper practices and kept up to date.

**10.2.3 Accounting Records - Section 5**

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Section 5 also requires that the accounting records required by the Financial Officer will be sufficient to show the Council’s transactions and to enable the responsible Financial Officer to ensure that any statement of accounts, incoming expenditure account, balance sheet or record of receipts and payments and additional information to be provided by way of notes to the accounts comply with the Accounts and Audit Regulations 2011.

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In particular this means that accounting records must contain:

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- Entries from day to day of all sums of money received and expended by the body and the matters to which the incoming expenditure or receipts and payments account relate;
- a record of the assets and liabilities of the body; and
- a record of incoming expenditure of the body in relation to claims made or to be made by them for contribution grant or subsidy from any Minister of the Crown a body to whom such a Minister may pay sums out of monies provided by Parliament or an EU Institution.

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Section 5 also requires that the accounting controls systems ensure that the financial transactions of the Council are recorded as soon and as accurately as reasonably possible, that there are measures in place to enable the prevention and detection of inaccuracies and fraud and there is the ability to reconstitute any lost records.

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Section 5 also requires that the duties of Officers dealing with financial transactions are identified and the division of responsibilities of those Officers are identified in relation to significant transactions and that procedures for uncollectable amounts including bad debts will not be written off except with the approval of a responsible Financial Officer or a member of staff nominated by the responsible Financial Officer.

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**10.2.4 Accounting Regulations – Section 6**

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Section 6 of the Accounts and Audit Regulations 1996 requires the Council to maintain an adequate and effective internal audit of its accounting records on control systems. Any Officer or Member of the Council shall, if Internal Audit requires, make available such documents of the Council which relate to its accounting and other records as appear to Internal Audit to be necessary for the purpose of the audit. Internal Audit shall also be supplied with such information and explanations that Internal Audit considers necessary for that purpose.

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**10.2.5 Review of the Systems of Internal Control – Section 4**

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Section 4 of the Accounts and Audit Regulations 2006 requires the Council to carry out a review of the effectiveness of the system of internal control. The results of this review, contained in the Annual Governance Statement, are considered by the Governance and Audit Committee.

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### 10.2.6 Review of the System of Internal Audit – [Section 6](#)

[Section 6](#) of the Accounts and Audit Regulations 2006 require the Council to carry out a review of the effectiveness of the system of internal audit. This review is conducted by the Finance and Governance Group, and the results reported to the Governance and Audit Committee.

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### 10.2.7 Local Government Finance Act 1988 – Section 114

The person having responsibility for the administration of the financial affairs of the Council will report to the Council if they have reason to believe that the Council or any part of the Council:

- has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful, or
- has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to cause loss or deficiency on the part of the Authority, or
- is about to enter an item of account the entry of which is unlawful.

Under Section 114 of the [Local Government Finance Act 1988](#), the person having responsibility for the administration of the financial affairs of the Council will make a report if it appears to him/her that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

### 10.2.8 Local Government and Housing Act 1989 - Section 5

It is the duty of the Council to designate one of its Officers to be “the Monitoring Officer” and that Officer is responsible for performing the duties under Section 5 of the [Local Government and Housing Act 1989](#). The Monitoring Officer cannot be the Section 151 Officer.

### 10.2.9 Duties of Monitoring Officer

It is the duty of the Monitoring Officer, if at any time they believe that a proposal, decision or omission by the Authority, the Executive, or any Committee, Sub-Committee or Officer of the Authority has given rise to, or is likely to give rise to a contravention by the Authority, the Executive or any Committee, Sub-Committee or Officer of the Authority of any enactment or rule of law or any code of practice or maladministration or injustice, to prepare a report to the [Authority](#).

Deleted: Authority which in the first instance shall go to the Standards Committee

Schedule 5 of the [Local Government Act 2000](#) amends Section 5 of the Local Government and Housing Act 1989 so that the Monitoring Officer may not be the Head of Paid Service.

It is the duty of the Monitoring Officer in preparing any report to the Council to consult so far as is practicable with the Section 151 Officer of the Authority.

Deleted: Standards Committee or to

## **10.3 Accounting and System Development**

### **10.3.1 Accounting Procedures**

All accounting procedures and records of the Council and its Officers shall be determined by the Head of Finance or nominated officer in consultation, where necessary, with the appropriate Head of Service concerned. Such procedures shall have regard to Section 151 of the Local Government Act 1972 and shall be in accordance with the Accounts and Audit Regulations for the time being in force and such other statutory provisions which affect the financial affairs of the whole Council or any specific service.

### **10.3.2 Responsibility of Head of Finance or Nominated officer**

The Head of Finance or nominated officer shall be responsible for the compilation of the main accounting records (including the provision of centralised costing and stores accounting) for the Council.

The Head of Finance or nominated officer may from time to time issue written “financial instructions” dealing with detailed procedures to be followed in certain matters. Such instructions shall be issued after consultation with the Heads of Service affected.

The Head of Finance or nominated officer shall be responsible for the maintenance of a management information system, the General Ledger.

### **10.3.3 Allocation of Accounting Duties**

The following principles shall be observed in the allocation of accounting duties by all employees or consultants engaged by the Council:

- The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
- Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

### **10.3.4 Consultation with Head of Finance or Nominated officer**

The Head of Finance or nominated officer shall be consulted at feasibility study or initial outline specification stage (whichever is the earlier), and approve the final design or selection of any computer system likely to have an impact on corporate financial or finance - related systems, including accounting, payments, stocks, stores, payroll and income.

Notwithstanding consultation at the feasibility study stage, the Head of Finance or nominated officer shall also agree the final design of the proposed controls within any such system, prior to its production and implementation.

No feeder computer system shall be linked into any corporate financial system without prior consent or authority of the Head of Finance or nominated officer.

## 10.4 Internal Audit and Internal Control

### 10.4.1 Regulations

The Head of Finance or nominated officer shall in accordance with the Accounts and Audit Regulations 2011, arrange for a continuous and current internal audit of all activities of the Council.

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### 10.4.2 Role of Internal Audit

Internal Audit will assist Heads of Service and Senior Managers in the effective discharge of their responsibilities by giving assurance on financial and management control systems, identifying weaknesses, giving advice on how to resolve financial and management problems and improve control, investigating suspected irregularities and by undertaking Value for Money (VFM) reviews and management studies.

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### 10.4.3 Accounts and Audit Regulations required by the Secretary of State

Under Section 23 of the Local Government Finance Act 1982, the Accounts and Audit Regulations 2011, specify that any Officer or Member of the Council will, if the Section 151 Officer requires, make available documents of the Council which relate to their accounting. Other records, as appear to the Section 151 Officer necessary for the purpose of Internal Audit, will be supplied together with any such information and explanation as the Section 151 Officer considers necessary for that purpose.

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**Deleted:** as amended by the Accounts and Audit (Amendment) (England) Regulations 2001

### 10.4.4 Powers of Internal Audit Staff

The Head of Finance or nominated officer being the authorised Internal Audit staff are empowered to enter at reasonable times any premises or land and require employees to produce Council property and records under their control.

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### 10.4.5 Role and Responsibilities of Internal Audit

Internal Auditors will at all times respect confidentiality.

Internal Audit will be carried out in accordance with the Code of Practice for Internal Audit in Local Government (as revised) issued by CIPFA.

On the conclusion of each internal audit review, Internal Audit will submit a report and recommendations (if any) to relevant Corporate Directors, the Head of Finance or nominated officer, Head of Service as appropriate and the Service Manager concerned. The Head of Service is responsible for agreeing an action plan to implement any recommendations. Corporate Directors and the Chief Executive will, through the performance management process, monitor progress on implementation of agreed recommendations.

Internal Audit will follow up implementation of recommendations.

Recommendations will be followed up six months after the issue of the final audit report.

Internal Audit will report twice a year to Corporate Board, and the Governance and Audit Committee on the outcome of audit work and progress in implementing audit recommendations. Internal Audit will

confirm whether the policies and procedures approved by the Council are in place and being maintained throughout the Council's operations.

The Chief Internal Auditor will produce an annual report for the Governance and Audit Committee that will give an opinion on the effectiveness on the Council's System of Internal Control.

#### 10.4.6 Irregularities with Regard to Council Functions

Where matters arise which involve or are thought to involve irregularities (cash, stores, assets of the Authority or its clients) in connection with the functions of the Authority, the Corporate Director and Head of Service concerned must ensure that the Head of Finance or nominated officer is notified immediately. They must obtain advice from the Head of Finance or nominated officer regarding investigations to be conducted. Where there is a possibility of criminal proceedings any interviews should be conducted under guidance from the Head of Finance or the Chief Internal Auditor.

A decision to refer matters to the Police will be taken by the Head of Finance or nominated officer following consultation with the Head of Legal Services, Head of Human Resources or any other appropriate officer.

**Deleted:** Head of Legal and Electoral Services

Should any Member fail to disclose a disclosable pecuniary interest the Monitoring Officer shall refer such breach to the Police in the first instance.

Internal Audit must report details of any financial irregularities to the next available meeting of Corporate Board. The Head of Finance or nominated officer will recommend whether a report is needed to the Governance and Audit Committee (and the Head of Finance or nominated officer in consultation with the Monitoring Officer will decide if a report is needed to the Standards Committee).

### 10.5 Treasury Management

#### 10.5.1 Activities of Treasury Management

All Treasury Management activities will be carried out in accordance with the CIPFA "Revised Code of Practice for Treasury Management in Local Authorities 1996" and the "Treasury Policy Statement" as currently approved by the Council's Executive.

All money in the hands of the Council shall be aggregated for the purposes of Treasury Management.

#### 10.5.2 Executive Decisions Involving Finance

All Executive decisions on borrowing, investment or financing is delegated to the Head of Finance or nominated officer who are required to act in accordance with CIPFA's Revised Code of Practice for Treasury Management in Local Authorities **1996** and the "Treasury Policy Statement" as currently approved by the Council's Executive.

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### 10.6 Banking Arrangements

#### 10.6.1 Arrangements with Council's Bankers

All arrangements with the Council's bankers must be made by or under arrangements approved by the Head of Finance or nominated officer, who

is authorised to operate such banking accounts, including Girobank and Credit Card Company accounts and other electronic transactions as they may consider necessary. No other Officer has authority to open a bank account without prior specific written delegation of that authority by the Head of Finance or nominated officer.

### **10.6.2 Cheques**

Cheques to be drawn on the Council's banking accounts will bear the facsimile signature of the Head of Finance or nominated officer or be signed by the Head of Finance or nominated officer or any other Officer authorised to do so and they will be crossed A/C Payee only.

All cheques, other than those drawn on authorised imprest accounts, shall be ordered only on the authority of the Head of Finance or nominated officer, who shall make proper arrangements for their safe custody.

## **10.7 Trust Funds and Private Funds**

### **10.7.1 Responsibility of Officers**

Officers administering any funds (Trust or Private) on behalf of others shall declare all such funds to the Head of Finance or nominated officer and shall deposit all securities etc., relating to such funds, with the Head of Finance or nominated officer unless the deeds otherwise provide.

### **10.7.2 Funds Held by Schools**

All funds held by Schools shall be declared to the Board of Governors.

### **10.7.3 Funds Held on Behalf of Others**

All funds held on behalf of others (Trust or Private) shall be subject to an annual audit, which shall be undertaken by a suitably qualified person. A copy of all audit reports and the final accounts shall be made available, on request, to Internal Audit for information. In respect of Schools, the audit report and the findings shall be presented to their School Governors.

### **10.7.4 Value Added Tax**

Officers who are responsible for the administration of Trust or Private funds shall be responsible for ensuring that all Value Added Tax is correctly accounted for, and shall have due regard to the treatment of Value Added Tax on donated funds (as detailed in Section 15 of the Finance Act 1972).

### **10.7.5 Investment**

Officers shall be responsible for ensuring that Trust and Private Funds are appropriately invested for the benefit of the fund. Advice as to the most appropriate method of investment will be obtained from the Head of Finance or nominated officer.

### **10.7.6 Officer Involvement**

Officers must declare an interest and absent themselves from any managerial involvement in any trusts or private funds from which they or their family could directly or indirectly benefit.

## 10.8 Financial Planning “Accounting” and the Budget Process

### 10.8.1 Financial Strategy

The Head of Finance or nominated officer shall prepare annually a financial strategy for the Council for a short (one year), and medium term (three to four year) period. This will be reported to Corporate Board and the Executive. It will set out the parameters for the budget build process for the coming year in the light of likely grant settlement, service pressures, available balances, and consultation with clients and partners of the Council. The Budget and Policy Framework will be approved by Council.

### 10.8.2 Asset Management Strategy

The Head of Finance or nominated officer will produce and maintain an Asset Management Strategy to feed into the annual Capital Programme.

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### 10.8.3 Capital and Revenue Budgets

The detailed form of Capital and Revenue budgets shall be determined by the Head of Finance or nominated officer consistent with the general directions of the Executive and after consultation with Corporate Board. The Budget and Policy Framework will be approved by Council.

### 10.8.4 Capital Programme

Heads of Service and their nominated budget holders, in consultation with the Head of Finance or nominated officer, shall jointly prepare for consideration by Corporate Board and the Executive, a draft Capital Programme alongside the revenue income and expenditure budgets. These must be prepared in accordance with the policies and timescales determined by the Executive. The Budget and Policy Framework will be approved by Council.

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### 10.8.5 Submission to Executive

Corporate Board and the Executive must consider the strategic effect of these estimates and programmes upon the Council’s financial and other resources. After any necessary amendments they must be submitted by the Executive to the Council for approval within the required legislative timetable, and with a recommendation of the overall general fund budget requirement and the Council Tax to be levied for the coming financial year.

### 10.8.6 Approval of Estimates

The estimates, once approved by the Council shall become the Council’s Revenue Budget and Capital Programme for the next financial year.

Approval of the annual estimates by the Council will confer authority on the Executive, Committees, Corporate Directors and Heads of Service of the Council to incur revenue expenditure so provided subject to compliance with the relevant provisions of the Contract Rules of Procedure.

## **10.9 Revenue Expenditure - Control**

### **10.9.1 Budgetary Control**

Corporate Directors and the Chief Executive must ensure, through the performance management scheme, that their Heads of Service are managing their budgets, including commitments, appropriately by requiring regular reports from their Heads of Service.

### **10.9.2 Role of Heads of Service**

Budgets are allocated to Heads of Service to enable them to deliver services approved by Members through the relevant Service Plan. It is the responsibility of each Head of Service to ensure that the budgets for which they are responsible are used to deliver the Service Plan and are not overspent. Where budget pressures indicate that overspending may occur, then the Head of Service must apply the rules set out under cash limited budgets below.

Heads of Service are responsible for allocating responsibility for managing each cost centre within their service. They must inform the Head of Finance or nominated officer of the allocation and any changes as soon as they occur.

Heads of Service must ensure, through the Performance Management Scheme, that their managers who are budget holders are properly trained in budget management and apply adequate budgetary control through local commitment accounting by requiring regular reports from budget holders.

### **10.9.3 Unauthorised Overspend**

The unauthorised overspend of a budget may lead to disciplinary action being taken against the budget holder. The unauthorised overspend overall by a service may lead to disciplinary action being taken against the Head of Service.

### **10.9.4 Monthly Statements**

The Head of Finance or nominated officer will provide each Head of Service and each Budget Holder with monthly statements of receipts and payments under each cost centre. Budget Holders must provide the Head of Finance or nominated officer with written confirmation each month that this information is correct, as this information forms the basis of reporting to Corporate Board and the Executive.

### **10.9.5 Cash Limited Budgets**

Budgets are limited to the net annual budget for the relevant service. The Council maintains a general reserve which is to be used in exceptional circumstances where there is an uncontrollable overspend position at the end of the financial year. Therefore, Heads of Service must ensure that they and their budget holders do not overspend their service budgets.

Revenue Expenditure may not be incurred which cannot be met from the amount provided in the revenue budget under the Service for that Head of Service to which the expenditure would be charged.

The Head of Service can present overspend to the relevant Corporate Director who can consider whether the overspend can be contained within the overall service grouping. The Corporate Director and Head of Service will then report to Corporate Board for consideration and approval. Corporate Board need to take a view on what is a significant overspend in terms of the overall budget for the Council and anything which they consider significant should be reported to the Executive. Approval will only be given in exceptional circumstances. In all cases Contract Rules of Procedure must be complied with. The approval of the additional expenditure budget may include provision for the repayment of the overspend.

### 10.9.6 Exceeding Cost Centre Estimate

Heads of Service may authorise expenditure which would otherwise exceed the estimate for a cost centre, provided that the expenditure:

- can be met from savings or under spending on other cost centres within the same service with the exception of windfall increases in income or decreases in expenditure;
- will not constitute Capital Expenditure or result in:
  - (a) a change in the level of service provision; or
  - (b) a commitment to incur expenditure in future years; or
  - (c) a change in policy; or
  - (d) a breach of the Council's Workforce Strategy.
- is not a virement from a support service recharge code.
- is notified in the prescribed form to the Head of Finance or nominated officer who may if he/she considers that the expenditure is significant, require a report to be submitted to the Executive.

### 10.9.7 Carry Forward of Under and Overspends

Genuine provisions for liability as recognised by the CIPFA Code of Practice on Local Authority Accounting in the UK must be accounted for in accordance with this guidance. Where budget holders wish to carry forward any unspent monies into the next financial year, then they must provide a business case to the Head of Finance. These cases will be assessed against the relevant accounting guidance and the explanations provided in the case. The final decision for the carry forward of under spends is for the Head of Finance. [These requests are to be considered by the Finance and Governance Group](#)

Overspends are not permitted to be carried forward; all known overspends where no action can take place to rebalance budgets should be corrected via service investments and approved by the Council when setting the next financial year's budget.

### 10.9.8 Coding of Expenditure and Income

All expenditure and income must be charged / credited to the cost centre and appropriate account code to which it relates. Miscoding expenditure / income distorts the Council's financial information and, therefore, may result in disciplinary action being taken against the Officer responsible.



The detailed form of Capital and Revenue budgets shall be determined by the Head of Finance or nominated officer consistent with the general directions of the Executive and after consultation with Corporate Board.

Journal transfers may only be made if they have been approved by the budget holder charged with the expenditure.

Budget holders may only charge expenditure against budgets for which they are responsible.

## **10.10 Capital Expenditure - Control**

### **10.10.1 Council Approval of Capital Strategy and Programme**

Council's approval of the Capital Budget – The Budget and Policy Framework constitutes authority for:

- expenditure to be incurred in the budget year and the schemes included for the budget year and for the previous years to the extent that provision has already been made;
- expenditure for advance site acquisition, design fees and other associated preliminary expenditure but only if an appropriate budget allocation has been approved in the relevant year within the Capital Strategy and Programme.

### **10.10.2 Variations to the Approved Capital Strategy and Programme**

The Council's five year Capital Strategy and Programme, which forms an integral part of the Council's Budget and Policy Framework, is generally agreed in February or March by Council. Additional expenditure requests are seen as extraordinary and, with some limited exceptions, need to be approved by the Executive (see paragraph 10.10.4). Additional invest to save bids are considered in a different way (see paragraph 10.10.3). Moving funding for approved projects between years within the five year Capital Strategy and Programme is permitted under some circumstances (see paragraph 10.10.5). It is also permitted to vire funding between approved capital projects within the financial year.

### **10.10.3 Additional 'Invest to Save' Bids**

As part of the Council's Efficiency Programme capital investment is often used to improve the efficiency of the Council's operations. Short to long term capital investment is therefore often made to deliver long term revenue savings. Proposals that involve 'investing to save' will generally be considered as part of the annual review of the Capital Strategy and Programme.

Where opportunities are identified in year to deliver revenue savings, these opportunities will be considered on their merits in the following manner.

- The relevant Head of Service will prepare a report, in consultation with the Section 151 Officer for consideration by Capital Strategy Group.
- If the report is endorsed by Capital Strategy Group and the relevant Portfolio Holder, the Head of Service will be able to activate the recommendations in

the report and this decision will be authority for completion of any contractual documentation.

- If the proposal involves capital expenditure above £50,000 the Executive must consider and approve the proposal.
- No more than a total of £250,000 'Invest to Save' bids may be made in any one financial year beyond those already agreed by Council as part of the Capital Strategy and Programme, but excluding those bids requiring Executive approval.

#### **10.10.4 Other Additional Expenditure Requests**

Any other requests for additional capital expenditure (excluding items in paragraphs 10.10.3) outside the agreed Budget and Policy Framework will first be presented to Capital Strategy Group for consideration. If agreed they will be referred to Corporate Board and then to the Executive for approval.

#### **10.10.5 Moving Expenditure between years within the Capital Strategy and Programme**

- In general expenditure on capital schemes can only occur during the year for which approval was given by Council as part of the Capital Strategy and Programme.
- In exceptional circumstances and with the endorsement of the relevant Portfolio Holder (relevant Shadow Portfolio Member to be advised for information), following consideration by Capital Strategy Group, a scheme which has been approved in a later year(s) of the Capital Strategy and Programme may be brought forward, provided:
  - sound reasons for so doing are accepted by Capital Strategy Group or
  - future viability or delivery of the scheme is in question.
- No more than £250,000 of such schemes may be brought forward in any financial year.
- Approval of the scheme will be delegated to the relevant Corporate Director/Head of Service as Project Sponsor in consultation with the Section 151 Officer. The Corporate Director/Head of Service will have authority to enter into any contractual documentation relating to the scheme/project.

### **10.11 Contracts**

#### **10.11.1 Rules of Procedure**

All Officers must adhere to the Council's Contract Rules of Procedure (see Part 12) relating to contracts and to these Financial Rules of Procedure before they enter into any contract.

#### **10.12 Official Orders**

Official orders shall be issued for all work, goods or services to be supplied to the Council except for supplies of public utility services, for periodical payments (rent + rates), petty cash purchases, or such exceptions as the Head of Finance or nominated Officer may approve. Orders must clearly

state the quantity of the goods and nature of the work or services and whether covered by contract or an agreed price and discounts specified therein or an estimated value. No payment will be made to suppliers without a purchase order having been raised.

### 10.12.1 Raising a Purchase Requisition

The Head of Service shall nominate those Officers eligible to raise Purchase Requisitions on the Council's financial system. The Finance system converts the Purchase Requisition into a Purchase Order upon the approval of the Budget Holder or nominated Authorising Officer.

### 10.12.2 Placing an Order

Unless you have a budget an order cannot be placed. Placing an order commits the Council to spending the money.

All official orders for goods and services must be raised using the Council's Financial System. Exceptions to this requirement require written approval from the Head of Finance or nominated Officer.

The Council's Finance system will generate the appropriate commitment accounting record of outstanding orders. Verbal orders must not be made except as a matter of genuine urgency and must be confirmed immediately with a written order produced through the Council's Finance System.

Other than in cases of genuine emergency, No supplier shall be asked to provide goods or services before a purchase order has been issued to them.

### 10.12.3 Regular Periodic Payments

Any circumstances causing the cessation or variation of a regular periodical payment must be notified immediately to the Head Of Customer Services or nominated officer.

**Deleted:** Head of Benefits and Exchequer

### 10.12.4 Approval of Order

The ability to raise a requisition for goods or services and the subsequent approval and creation of the Order must only be undertaken by Officers nominated by the Head of Service (10.9.2 refers). Nominations shall be notified in writing to the Head of Finance or nominated Officer.

Goods properly supplied or work done without an official order due to a genuine emergency must be covered as soon as possible by a confirmation order.

Whenever practicable the duties of requisitioning goods or services and the subsequent confirmation of their receipt (goods received note process) shall not be performed by the Officer authorising the Order.

Each Head of Service shall be responsible for all orders issued from their Service.

## 10.13 Goods Received Process

The Head of Service or Delegated Officer shall ensure that the Corporate Finance System is promptly updated when goods or services are received. Before completing the Goods Received Note process the verifying Officer

shall, save to the extent that the Head of Finance or nominated Officer may otherwise determine, be satisfied:

- that the goods have been duly received examined and approved as being in accordance with the specification or match the official order and are satisfactory;
- that the works done or services rendered have been satisfactorily carried out and that, where applicable, the materials used were of the requisite standard;
- that the proper entries have been made in the inventories or stores records, where appropriate;
- that the Council's purchasing guidance has been followed.

## **10.14 Payment of Accounts**

### **10.14.1 Payment of Invoices**

It is the Council's policy to pay all invoices within 30 days of invoice date. It is therefore the responsibility of all staff to assist Central Payments Team in ensuring invoices can be processed for payment as soon as possible through full compliance with all the relevant financial procedures.

### **10.14.2 Other Payment Requests**

Payment requests shall be prepared in accordance with the format determined by the Head of Finance or nominated Officer who if satisfied, shall process and pay in accordance with a timetable prepared by him/her.

### **10.14.3 Destination of Invoices**

Invoices for payment must be sent in the first instance to the Exchequer Service's Central Payments Team. Such invoices must be made out by creditors themselves and must not be made out by any Officer of the Council.

### **10.14.4 Amendments and Deletions**

Amendments to or deletions from an invoice must only be made in exceptional circumstances and must be authorised by the Head of Finance or nominated officer. Where changes are required they must be made in ink of a distinctive colour and initialled by, or on behalf of the Head of Service, and the reasons, if not obvious, briefly stated on the invoice. No alterations to a Value Added Tax invoice may be made but a new invoice or credit note must be sought from the supplier. To avoid the possibility of duplicate payments photocopies or faxes are not accepted as valid invoices except in emergencies.

### **10.14.5 Payment of Invoices**

The Head of Finance or nominated officer shall pay all invoices and other payment requests which they are satisfied are in order, apart from petty cash imprest accounts or Local Bank Accounts.

The Head of Finance shall ensure that appropriate arrangements are in place for ensuring that invoices received in the Central Payments Team are matched against official orders. Payment of invoices shall only be made when:

- the ordering Service has confirmed that the goods have been duly received, examined and approved;
- the prices are in accordance with the order;
- the payment is in accordance with Council Policy and legally payable;
- the account is correct, and that VAT is properly accounted for where appropriate;
- the item has not been previously passed for payment and is a proper liability of the Council.

The normal method of payment of money due from the Council shall be by cheque, electronic transfer or other instrument drawn on the Council's bank account by the Head of Finance or nominated officer.

#### **10.14.6 Examination of Accounts**

The Head of Finance or nominated officer may at their discretion examine the verified accounts passed for payment, as to their compliance with the minutes and Council regulations, contracts, accepted tenders or other authorities and for this purpose shall be entitled to receive such information and explanation as may be required.

### **10.15 Local Bank Accounts - Imprest / Petty Cash Accounts**

#### **10.15.1 Imprest / Petty Cash Advances**

The Head of Finance or nominated officer will provide imprests and petty cash advances, where appropriate, to Officers for the purpose of defraying expenses. A receipt shall be signed in respect of each advance by the Officer concerned, who shall be responsible for accounting for monies. A receipt should be signed in respect of sub - floats issued to Officers.

#### **10.15.2 Changes to Officers**

Any changes to Officers responsible must be immediately notified to the Head of Finance or nominated officer. An outgoing imprest holder must reconcile the imprest to the total amount held, whilst the incoming responsible Officer should satisfy themselves that all is in order before accepting responsibility for the imprest.

#### **10.15.3 Disbursements**

Vouchers for disbursements must be obtained, and attached to claims for reimbursement. Claims must be properly certified and forwarded for payment to the Head of Finance or nominated officer at specified intervals, normally not exceeding one month. Nil returns will be forwarded to the Head of Finance or nominated officer if no reimbursement is required.

#### **10.15.4 Security of Cash**

Heads of Service are responsible for ensuring that all cash is kept in a safe and secure place and that bank accounts are reconciled on a regular basis, not less than monthly. A bank statement must be received at least monthly for all imprest bank accounts.

Heads of Service are advised for reasons of security that cash balances of greater than £250 should be kept in a bank account.

### 10.15.5 Use of Imprest Accounts

Imprest accounts can be used for amounts up to £250:

- to pay for local purchases by cheque at the time of collection or delivery;
- to secure discounts or take advantage of special offers;
- to reimburse staff who have purchased small value items directly;

All such payments must be supported by VAT invoices or receipts.

### 10.15.6 Use of Imprest Funds

Imprest funds must never be used to pay salaries, wages, or other employee expenses i.e., travel/subsistence and removal/relocation expenses, without the specific approval of the Head of Finance or nominated officer. Such payments may attract liability to Income Tax or National Insurance contributions and must therefore be made via the payroll system.

### 10.15.7 Examination of Local Bank Accounts

The Head of Finance or nominated officer may at their discretion examine and reconcile Local Bank Accounts and for this purpose shall be entitled to receive such information and explanation as may be required.

## 10.16 Income

### 10.16.1 Collection of Monies

The framework and regulation of the collection of all monies due to the Council shall be subject to the approval of the Head of Finance or nominated officer and shall comply with these Financial Rules of Procedure.

The Head of Finance or nominated officer's Head Of Customer Services or nominated officer shall be notified promptly of all monies due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Head of Finance or nominated officer shall have the right to inspect any documents or other evidence in this connection as they may decide.

**Deleted:** Head of Benefits and Exchequer

### 10.16.2 Invoicing for Sums Due

Each Head of Service shall establish procedures to ensure that invoices are raised on the Council's Finance System in respect of work done, goods supplied, services rendered and all other amounts due to the Council. These procedures must ensure that all invoices due are raised promptly in order to assist recovery of the debts.

### 10.16.3 Payment of Amounts Due

All accounts rendered in respect of amounts due to the Council shall contain a statement that payment must be made direct to the Head of Finance or nominated officer and that cheques, money orders, and postal orders should be made payable to West Berkshire District Council.

All cheques, money orders and postal orders received in any Service Unit shall be crossed "West Berkshire District Council". Personal Cheques must not be cashed out of the money held on behalf of the Council.

#### **10.16.4 Introduction of New Electronic Payment Facility**

The Head of Finance or nominated officer shall be consulted at an early stage on any proposals to introduce a new electronic payment facility. No such facility shall go live without the specific authorisation of the Head of Finance or nominated officer.

#### **10.16.5 Payments made to Service Units**

Each Head of Service shall be responsible for the prompt collection of such cash income as may be due to the Council from activities within their service area and must make proper arrangements for receipting, holding and banking of this income.

#### **10.16.6 Change Money**

The Head of Finance or nominated officer shall advance such sums as they may deem necessary to each collecting Officer for the purpose of change money, and the existence of the sums shall be verified periodically.

#### **10.16.7 Payment into Council Account**

All monies received by an Officer on behalf of the Council shall, without delay, be paid to the Head of Finance or nominated officer. No deduction may be made from such money save to the extent that the Head of Finance or nominated officer may specifically authorise.

Officers who bank money shall enter on the paying in slip and on the reverse of each cheque a reference to the related debt (receipt number or the name of the debtor) or otherwise indicate the origin of the cheque. The name of the originating Service/Section shall be recorded on the paying in slip.

#### **10.16.8 Issue of Receipts**

Every sum received by a cashier or other Officer of the Council shall be immediately acknowledged by the issue of an official receipt, ticket or voucher except in the case of cheques other arrangements may only be established with the express approval of the Head of Finance or nominated officer.

All official receipts, tickets, books and other cash tokens shall, except by special arrangements approved by the Head of Finance, be controlled and issued to Service Units by the Head of Finance or nominated officer, who shall keep a register of their receipt and issue. Departments shall keep proper records of the issue and use of all receipts, tickets and cash tokens.

#### **10.16.9 Recording Receipt of Monies**

Each Officer who receives monies on behalf of the Council, or for which they are accountable to the Council, shall keep records in a form approved by the Head of Finance or nominated officer.

### **10.16.10 Transfer of Monies**

Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving Officer.

## **10.17 Write-Offs - Income**

### **10.17.1 Discharge of Debts**

No debt due to the Council, after it has been correctly established, shall be discharged otherwise than by payment in full or by the writing-off of the debt or the unpaid portion of it, on the authority of the Head of Finance or nominated officer where:

- either:
  - (a) the debt is not enforceable or that attempted recovery is likely to involve expensive litigation with limited hope of success; or
  - (b) the cost of recovery would be disproportionate to the amount involved;
- the debt does not exceed £10,000 or in cases of bankruptcy or liquidation the full amount;
- Housing rent does not exceed £10,000.

### **10.17.2 Written-off Debts**

Any debt written off in accordance with Rule 10.17.1 above shall be properly recorded on the Council's Financial System.

All other debts may only be written off following approval by the Executive.

Written off debts will be charged back to the originating budget.

Budget Holders will be provided with details of those debts where write off is appropriate. Such details are to include information on recovery action already taken.

In exceptional circumstances Corporate Board may recommend to the Executive that a debt should not be written off to the service budget but will be written off corporately.

## **10.18 Charging for Services**

### **10.18.1 Review of Service Charges**

All Heads of Service shall review their charges for services at least annually with the object of ensuring that the income is increased by not less than the rate of inflation experienced by that service. Such review must be carried out as part of the Council's budget build process (the timetable for this is published each year).

### **10.18.2 Unmet Estimates**

Where it appears that income targets as set out in the Council's estimates will not be met then the Head of Service shall either meet the shortfall from within the service budgets or apply for an additional expenditure budget.



## 10.19 Salaries and Wages

### 10.19.1 Responsibility for Payments to Employees

The Head Of Customer Services or nominated officer shall be responsible for making arrangements for the payment of all salaries, wages, pensions, compensation and other payments to all current and former employees of the Council.

**Deleted:** Head of Benefits and Exchequer

### 10.19.2 Notification of Relevant Matters

Heads of Service shall notify the Head Of Customer Services or nominated officer and the Head of Human Resources as soon as possible and in the approved form, of all matters affecting the payment of salaries and wages, and in particular:

**Deleted:** Head of Benefits and Exchequer

- appointments, resignations, dismissals, suspensions, secondments and transfers;
- absences from duty for sickness or other reason apart from approved leave, changes in remuneration, other than normal increments and pay awards and agreements of general application;
- information necessary to maintain records for compliance with Inland Revenue reporting on benefits provided to staff.

### 10.19.3 Appointment of Employees

Appointments of all employees shall be made in accordance with the regulations of the Council and the approved grades and rates of pay.

### 10.19.4 Externally Funded Posts

Before confirming an appointment to a fixed term contract, the recruiting manager must seek advice from HR to ensure the funding source from which the post is being funded is sufficient to cover the exit costs liability in the event of non renewal by reason of redundancy. The Council must not become liable to pay redundancy payments arising from externally funded appointments except in exceptional circumstances and the Corporate Director and Portfolio Holder have confirmed that the directorate has the monies to cover the exit costs liability.

### 10.19.5 Timesheets & Overtime Claims

The Head of Service, or other authorised Officer, shall be responsible for the authorisation of all staff timesheets and overtime claims.

## 10.20 Travelling and Subsistence

### 10.20.1 Claims for Payment

All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be made in a form approved by the Head of Finance or nominated officer and shall be submitted to the payroll section, duly authorised.

The Head Of Customer Services or nominated officer shall make payments in accordance with Statute, Regulations, Schemes and Conditions of Service and any resolutions of the Council.

**Deleted:** Head of Benefits and Exchequer

The authorisation by or on behalf of the Head of Service shall be taken to mean that the authorising Officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred, the most economical method of travelling was undertaken and that the allowances are properly payable by the Council.

Officer's claims should be submitted promptly at the end of each month in which the journeys were made or the expenses incurred. The Head of Finance or nominated officer may refuse to make payment of claims over 2 month old.

## 10.21 Members Allowances

### 10.21.1 Submission of Claims

Members are encouraged to submit all claims relating to travelling, subsistence and other appropriate expenses in writing and in arrears within two months of the date of the meeting in respect of which the entitlement to the allowance arises and must be received for processing by the Members' Services Officer by the 5th of each month. Claims do not need to be submitted for allowances that are paid automatically.

### 10.21.2 Payments

The Head of Finance or nominated officer shall make arrangements for the monthly payment to Members of the Council who are entitled to claim travelling or other allowances, as per the Rules in Part 15 of this Constitution, upon receipt of the prescribed form duly completed and certified.

The certification by or on behalf of Head of Strategic Support shall be taken to mean that the certifying Officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and the allowances are properly payable by the Council.

**Deleted:** the Head of Policy and Communication

## 10.22 Inventories

### 10.22.1 Preparation of Inventories

Inventories in a form approved by the Head of Finance or nominated officer shall be prepared and kept up to date by each Head of Service for all moveable plant, machinery, or items which are considered to be portable and desirable belonging to the Council.

Inventories should be updated in a timely fashion to reflect acquisitions or disposals.

### 10.22.2 Checking and Maintaining of Inventories

The Head of Finance or nominated officer shall be entitled to check stores and equipment and be supplied with such information relating to the accounting, costing and financial records of the Council.

Heads of Service shall arrange in respect of their inventories for an annual check. The Head of Finance or nominated officer may arrange for a member of their staff to be present at the checking.

Where possible the roles of maintaining the inventory and checking the inventory for completeness and accuracy should be undertaken by two separate Officers.

### 10.22.3 Inclusion in Inventories

All items belonging to the Council which are required to be included on the inventory shall be marked as the property of the Council.

### 10.22.4 IT Equipment

The Head of ICT and Corporate Support or nominated officer shall be responsible for maintaining the inventory of all IT equipment, hardware and software.

Deleted: Head of ICT

## 10.23 Stocks / Stores

### 10.23.1 Responsibility for Stocks

Each Head of Service shall ensure:

- the proper custody of their stocks and stores in their Service Unit and shall ensure that they are subject to an effective system of stock recording and control;
- that stores are held in reasonable quantities and that consideration has been given to turnover, value, delivery quantities and delivery periods;
- that practicable steps are taken to ensure that a delivery note is submitted by a supplier for every delivery at the time of delivery;
- as soon as practicable after the delivery has been made that goods are checked to ensure that the correct quantity has been delivered and that they meet the appropriate quality standard;
- that no articles or goods are removed from stock without proper authority;
- that stocktakes are carried out in accordance with the procedures laid down by the Head of Finance or nominated officer;
- that an annual review of stocks held is undertaken with a view to reducing the number of slow moving items and disposing of obsolete stock items;
- that obsolete or other stocks no longer required for the purpose acquired are disposed of under arrangements approved by the Head of Finance or nominated officer;
- that accounts and records are maintained in connection with the receipt and issue of stores in such form and timetable as the Head of Finance or nominated officer may approve after consultation with Corporate Board;
- that on the 31<sup>st</sup> March each year the value of stocks held is certified and reported to the Head of Finance or nominated officer.

### 10.23.2 Surplus or Deficiency

Where any surplus or deficiency is revealed in excess of £5,000 in any item of stock the Chief Internal Auditor shall be advised. A report shall be presented to Corporate Board in order that authority to write off deficiencies or bring surpluses into charge may be obtained. The

appropriate form should be completed for any deficiency and sent to the nominated officer responsible for Risk Management.

### 10.23.3 Checking of Stock

The Head of Finance or nominated officer is entitled to check stores and be supplied with any information relating to the accounting, costing, and financial records of the Council.

## 10.24 Disposal of Surplus or Obsolete Goods, Plant and Stocks

### 10.24.1 Authorisation for Disposal

Surplus or obsolete goods or plant, whether held in store, on inventories or otherwise up to the value of £2,000 per item or group of like items, must not be disposed of either by sale or destruction except upon the authorisation of the appropriate Corporate Director of the Service Unit concerned. Where the value is between £2,001 and £10,000 the authorisation of the Head of Finance or nominated officer must also be obtained. Where the value exceeds £10,000, sanction by Corporate Board must be obtained.

In relation to inventory items (e.g. IT equipment etc) all items surplus to requirements should, in the first instance, be offered to other Council departments, schools etc prior to being disposed of.

Deleted: eg

### 10.24.2 Sale of Stock

Sale must be effected by public tender except when, in the opinion of the appropriate Corporate Director of the Service Unit concerned and the Head of Finance or nominated officer, the financial interest of the Council is better served by disposal by any other means. This could be by public auction.

### 10.24.3 Recording Disposal

A record of each disposal should be maintained (i.e. the approval, the price obtained and if appropriate the alternative method of disposal used). Inventories or stock records should be up-dated in a timely fashion to reflect the disposal.

### 10.24.4 Income from Disposal

Income from disposals shall be credited to the holding service unit.

### 10.24.5 VAT

Value Added Tax shall be accounted for on the sale proceeds if appropriate and the amount identified when banking the income. The Head of Finance or nominated officer should be contacted if clarification of the VAT position is required.

## 10.25 Insurance

### 10.25.1 Responsibility for Insurance

The Head of Finance or nominated officer is responsible for the arrangement of risk funding on advice from the Chief Internal Auditor. The

administration and resolution of all losses is the responsibility of the nominated officer in consultation with other Officers where necessary by reporting to the Head of Finance or nominated officer.

### **10.25.2 Record of Insurances**

The Head of Finance will keep a permanent record of all insurances, risks covered, premiums paid and of all self-funded risks and losses paid. This includes third parties arranging insurance where the Council has an insurable interest. Documents to be permanently retained must include policy schedules and all liability insurance certificates for every period of insurance. Such responsibilities may be delegated to the nominated officer.

### **10.25.3 Incident / Accident Reporting**

Every event with the potential to give rise to a financial loss, or involving injury to a member of staff, an elected Councillor or client of the Council, must be reported via Webrisk (the Council's incident reporting system). It is the responsibility of the Head of Service to ensure that there are nominated staff trained to input information on Webrisk.

Any serious incidents covered by Reporting of Injuries, Diseases or Dangerous Occurrences Regulations (RIDDOR) will be automatically reported to the Health and Safety Executive, once inputted onto the Webrisk System by nominated staff.

### **10.25.4 Review of Risk Financing Arrangements**

The Head of Finance or nominated officer and the Chief Internal Auditor shall annually review the Council's risk financing arrangements and look at adequacy of provision in the light of changes in the environment including new legislation, imposed or contractual responsibilities, legal precedent, newly identified and quantified risks, or other concerns identified.

### **10.25.5 Consultation**

Before any indemnity requested from the Council is provided, the Head of Service responsible shall obtain written agreement from the Head of Finance or the nominated officer. Generally Heads of Service should not allow burdens or responsibilities to be imposed on the Council through contract that would not otherwise be imposed by common law or statute.

### **10.25.6 Hiring of Professional Services**

Heads of Service must provide, on a quarterly basis, to the Head of Finance full details of all professional services hired or sold to others and the estimated fee income for the twelve month period ahead. The Head of Finance and the nominated officer will ensure that appropriate professional indemnity insurance is in place for the exposure notified.

## **10.26 Security**

### **10.26.1 Responsibility for Security**

All Heads of Services are responsible for maintaining proper security at all times for all information, buildings, stocks, stores, furniture, equipment and cash under their control and shall consult via the Head of Service chairing

the Security Group or nominated officer (such as the Information Security Officer or Facilities Manager) where they consider security is thought to be defective or where they consider special arrangements are needed.

Appropriate security controls for all assets shall be identified by the risk assessment process and by referring to security standards and procedures. Arrangements shall be agreed as above.

Maximum limits for cash holdings shall be identified by the risk assessment process and agreed with the Head of Finance or nominated officer and shall not be exceeded without permission.

Key holders for safes and similar security receptacles are to be agreed by each Head of Service in conjunction with the Head of Finance or nominated officer. The loss of keys shall be reported immediately using the security incident reporting procedures.

### 10.26.2 Data Protection Legislation

The Chief Executive in conjunction with the [Head of ICT and Corporate Support](#), and in consultation with Heads of Service and the Data Controller, will ensure that all computer systems and written records, (including those in the possession of elected Councillors) which store sensitive personal data are operated in accordance with the Council's Data Protection Policy, Data Protection legislation, and that proper security and confidentiality is maintained.

**Deleted:** Head of ICT

## 10.27 Estates

### 10.27.1 Responsibility of Head of Service

The Head [of Education](#) or nominated officer will maintain a terrier of all land and properties owned by the Council recording the purpose for which the property is held, the location, extent and plan reference(s), purchase details where available, details of interest and rents payable and particulars of tenancies of other interests granted.

**Deleted:** of Property and Public Protection

### 10.27.2 Custody of Deeds

The [Head of Legal Services](#) has custody of all title deeds under secure arrangements.

**Deleted:** Head of Legal and Electoral Services

### 10.27.3 Valuation of Assets

The Head of [Finance](#) or nominated officer shall ensure that all assets are valued (reinstatement and open market valuation) for capital accounting purposes in accordance with the latest CIPFA code.

**Deleted:** Property and Public Protection

### 10.27.4 Notification of Purchase or Disposal

Any purchases or disposals of property for which responsibilities are assumed under any contract must be notified to the Head of Finance or nominated officer. Additionally the nominated officer responsible for Risk Management must be notified to ensure that the Council's databases are fully up to date and accurate.

### 10.27.5 Register of Assets

The Head of [Education](#) or nominated officer is responsible for maintaining an up to date asset register and ~~the Head of Finance is responsible for an asset management plan.~~

**Deleted:** Property and Public Protection

The Head of [Education](#) or nominated officer must notify all changes to the asset register to the nominated officer responsible for Risk Management for updating of the risk management database.

**Deleted:** Property and Public Protection

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# Agenda Item 7.

<b>Title of Report:</b>	<b>Bribery Act 2010</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	10 September 2012
<b>Forward Plan Ref:</b>	GA2534

**Purpose of Report:** To outline a proposed Bribery Policy for the Council.

**Recommended Action:** Approve the Policy.

**Reason for decision to be taken:** To help minimise the risk of Bribery

**Other options considered:** none

**Key background documentation:** none

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

**CSP6 - Living within our means**

The proposals contained in this report will help to achieve the above Council Strategy priorities and principles by:

Providing an effective policy to minimise the risk of Bribery within the Council's business

Portfolio Member Details	
<b>Name &amp; Telephone No.:</b>	Councillor Anthony Stansfeld - Tel (01488) 658238
<b>E-mail Address:</b>	astansfeld@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	7th August 2012

Contact Officer Details	
<b>Name:</b>	Ian Priestley
<b>Job Title:</b>	Chief Internal Auditor
<b>Tel. No.:</b>	01635 519253
<b>E-mail Address:</b>	ipriestley@westberks.gov.uk

## Implications

**Policy:** none

**Financial:** none

**Personnel:** none

**Legal/Procurement:** none

**Property:** none

**Risk Management:** The policy will help to reduce the risk of bribery occurring

**Equalities Impact Assessment:** attached - no impact

<b>Is this item subject to call-in?</b>	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
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	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	
Report is to note only	<input type="checkbox"/>	

# Executive Report

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## 1. Introduction

- 1.1 The purpose of this report is to outline a policy for the Council to help manage the risk of bribery occurring within the Council's business.
- 1.2 The Bribery Act 2010 creates a new offence under section 7 which can be committed by commercial organisations which fail to prevent persons associated with them from committing bribery on their behalf - either receiving of a bribe or offering a bribe.
- 1.3 However, it is a full defence for an organisation to prove that despite a particular case of bribery it nevertheless had adequate procedures in place to prevent bribery. The Ministry of Justice has produced guidance to outline procedures that organisations can put in place to provide that defence. The Bribery Policy is based around that guidance.

## 2. Application to West Berkshire

- 2.1 The Act and the Guidance refers to "commercial" organisations. However, Councils are not excluded and therefore it is sensible to assume the Act applies and therefore the guidance should be followed.
- 2.2 In reality the risk of bribery at the Council is very low. The main reason for this is that the Council has very effective governance arrangements, including detailed "Contracts Rules of Procedure" that provide assurance over procurement.
- 2.3 The Council also has an effective anti fraud strategy and whistle blowing policy, both of which help to mitigate against the risk of bribery occurring
- 2.4 The main area of concern is in the receipt of gifts / hospitality. Even here the Council has effective procedures in the Code of Conduct and all gifts / hospitality are recorded. The Council may wish to ban all gifts / hospitality altogether, although the Minister for Justice, in his introduction to the guidance on the Act states "Rest assured, no one wants to stop firms getting to know their clients by taking them to events like Wimbledon or the Grand Prix"
- 2.5 A number of examples of potential bribery, in a local government context, are included at Appendix C. This document will be appended to the Policy for information.
- 2.6 Although the risk of bribery is low, the Act includes penalties of:
  - (1) Unlimited fines for an organisation
  - (2) 10 years imprisonment
- 2.7 Therefore it is important that the Council takes steps to protect its position and that of its staff and Members.

## 3. Recommendation

- 3.1 The Council should acknowledge the risk of bribery occurring and approve and implement the attached Policy to:

- (1) Mitigate the likelihood of bribery occurring
- (2) Ensure the Council has an effective defence in the event that bribery occurs.

## **Appendices**

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Appendix A – Equality Impact Assessment – Stage 1

Appendix B - Bribery Policy

Appendix C - Examples of potential bribery

## **Consultees**

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**Local Stakeholders:** N/a

**Officers Consulted:** Corporate Board

**Trade Union:** N/a

## Equality Impact Assessment – Stage One

<b>Name of item being assessed:</b>	Bribery Policy
<b>Version and release date of item (if applicable):</b>	
<b>Owner of item being assessed:</b>	Ian Priestley
<b>Name of assessor:</b>	Ian Priestley
<b>Date of assessment:</b>	17 July 2012

<b>1. What are the main aims of the item?</b>
To provide a policy to help minimise the risk of Bribery occurring in aspect of the Council's business

<b>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.</b> (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this.</b>
none		None of the groups will be affected by this policy
<b>Further comments relating to the item: N/a</b>		

<b>3. Result</b> (please tick by clicking on relevant box)	
<input type="checkbox"/>	<b>High Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Medium Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Low Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input checked="" type="checkbox"/>	<b>No Relevance</b> - This <b>does not</b> 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.**

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

**Name:** I Priestley

**Date:** 17 July 2012

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**WEST BERKSHIRE COUNCIL**

**BRIBERY ACT POLICY**

## **Appendix B**

### **1 Introduction**

- 1.1 This policy is introduced to ensure compliance with the Bribery Act 2010. It explains the process through which the Council intends to maintain high standards and to protect the organisation, employees, Members and business partners against allegations of bribery and corruption.
- 1.2 It is the Council's policy to conduct business in an honest and open way, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. The Council attaches the utmost importance to this policy and will apply a "zero tolerance" approach to acts of bribery and corruption by any of its Members, employees, or persons and partners acting on our behalf. Any breach of this policy will be regarded as a serious matter and is likely to result in disciplinary action and possibly criminal prosecution.

### **2 Policy Statement**

- 2.1 Bribery is a criminal offence. The Council will not pay bribes, or offer improper inducements to anyone for any purpose, nor will the Council accept bribes or improper inducements. The use of a third party to channel bribes is also a criminal offence. The Council will not engage indirectly in or otherwise encourage bribery.
- 2.2 The Council is committed to ensuring compliance with the highest legal and ethical standards. The Council will commit to policies and procedures to prevent, deter, and detect acts of bribery. The Council will ensure that antibribery compliance is an essential aspect of its governance process and at the core of its business principles. It is an ongoing process and not a one off exercise.

### **3 Objective**

- 3.1 This policy presents a clear and precise framework to understand and implement the arrangements required to comply with the Bribery Act 2010. It provides the context for the detailed rules, procedures and controls in place. It should provide no room for misinterpretation and will ensure that Members, employees, volunteers and business partners know what is expected of them in preventing bribery.
- 3.2 This policy should be read in conjunction with, and reinforce, other related policies and documents. The provisions in these policies and documents should be reflected in every aspect of the way the Council operates. The requirement to act honestly and with integrity at all times is made clear and is fundamental and



## **Appendix B**

nonnegotiable.

- 3.3 This policy explains the procedures established to prevent acts of bribery and allow any breach to be identified and reported.

### **4 Scope**

- 4.1 This policy applies to all of the Council's activities. The Council requires that all Members (including independent and co-opted Members), employees at all levels and grades, temporary and agency staff, volunteers, contractors, agents, consultants and partners acting on the Council's behalf, comply with the provisions of this policy. The Council will also seek to promote the adoption of reciprocal antibribery and corruption measures that are consistent with the Council's policy by joint venture partners and major suppliers.
- 4.2 The responsibility to mitigate the risk of bribery resides at all levels of the Council and includes all directorates. It does not rely solely on the Council's assurance functions.

### **5 Policy Commitment**

- 5.1 The Council commits to:
1. setting out a clear anti bribery policy and keeping this up to date with regular reviews
  2. making all Members, employees and partners aware of their responsibilities to adhere to this policy at all times
  3. providing training, where appropriate, to allow Members, employees and partners to recognise and avoid the use of bribery by themselves or others
  4. encouraging Members, employees and partners to be vigilant and to report any suspicions of bribery
  5. providing suitable channels of communication (e.g. Whistleblowing Procedure) to ensure that sensitive information is handled appropriately
  6. investigating instances of alleged bribery and assisting the police and other authorities in any prosecution
  7. taking action against anybody acting for or on behalf of the Council who is involved in bribery
  8. reporting breaches and suspected breaches of this policy to Members, employees and partners in an open and transparent way and

## **Appendix B**

9. including appropriate clauses in contracts with suppliers to advise on the Council's approach to the provisions of the Bribery Act 2010

### **6 The Bribery Act 2010**

6.1 The Bribery Act 2010 was introduced to update and enhance English law on bribery. It creates a strict liability corporate criminal offence of failing to prevent bribery. The only defence against this corporate offence is for organisations to have adequate procedures in place to prevent bribery

6.2 The Act includes four offences:

1. Bribing a person to induce or reward them to perform a relevant function improperly
2. Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly
3. Using a bribe to influence a foreign official to gain a business advantage and
4. In relation to a commercial organisation committing bribery to gain or retain a business advantage, there being no adequate procedures in place to prevent such actions

6.3 Acts of bribery are intended to influence an individual or organisation in the performance of their duty and for them to act illegally.

6.4 The penalties under the Bribery Act have been raised significantly and are severe. The new corporate offence is punishable with an unlimited fine. An individual guilty of an offence may be liable to imprisonment for up to 10 years or to a fine, or to both.

6.5 The Council accepts that public bodies may be classed as a "commercial organisation" in relation to the corporate offence of failing to prevent bribery. In any event, it represents good governance and practice to have adequate procedures in place to protect the Council, Members, employees and partners from reputational and legal damage. It is in the interests of everybody connected to the Council to act with propriety at all times.

### **7 Council Procedures on the Bribery Act**

7.1 The Council will follow the guidance issued by the Ministry of Justice. The actions are intended to be proportionate to the risks faced by the Council and to the nature, scale and complexity of the Council's activities. The actions are expected to provide a defence of "adequate procedures" against any corporate offence. The following steps will be taken:

## Appendix B

1. Top Level Commitment – The Corporate Board is committed to preventing bribery by persons associated with the Council. A report on the Bribery Act 2010 and the introduction of this policy has been approved by the Corporate Board (on 24<sup>th</sup> July 2012) and the Governance and Audit Committee (on - - -).
  2. Risk Assessment – The nature and extent of the Council's exposure to external and internal risks of bribery will be assessed as part of the Council's risk management process. Any risk assessment is intended to be an ongoing process based on regular communication and review.
  3. Due Diligence – A proportionate and risk based approach will be taken in respect of persons and other organisations that perform services for or on behalf of the Council. Due diligence will include an evaluation of the background, experience and reputation of business partners. The transactions will be properly monitored and written agreements and contracts will provide references to the Bribery Act 2010 and this policy. Reciprocal arrangements may be required for business partners to have their own policies in place. They will be advised of the Council's policy and be expected to operate at all times in accordance with such policy.
  4. Communication – The Council will ensure that this policy and other related policies and procedures are embedded in the Council's working arrangements through appropriate communication, including training, which is proportionate to the risks the Council faces. The Council's induction programme will include reference to the Bribery Act 2010 and this policy
  5. Monitoring and Review – This policy, control arrangements, risk management Processes and other related policies and procedures designed to prevent bribery and corruption will be monitored, reviewed and improved where necessary on a regular basis. All incidents of bribery or suspected bribery will be reported to the Management Board. An assurance of compliance will be included in the Annual Governance Statement
- 7.2 In the context of this policy it is unacceptable for persons acting for or on behalf of the Council to:
1. Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
  2. give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure
  3. accept payment from a third party that is known to be, or

## **Appendix B**

suspected to have been, offered with the expectation that it will obtain a business advantage for them

4. accept a gift or hospitality from a third party if it is known to be, or suspected to have been, offered with an expectation that a business advantage will be provided by the Council in return
5. retaliate against or threaten a person who has refused to commit an act of bribery or who has raised concerns under this policy and
6. engage in any activity in breach of this policy

### **8 Gifts and Hospitality**

- 8.1 This policy is not intended to change the requirements of the Council's Gifts and Hospitality policies and procedures. This is contained in the West Berkshire Code and in the Members Code of Conduct in the Council's Constitution
- 8.2 The guidelines clearly set out the restrictions on accepting gifts and hospitality, the need to inform the manager and the need to register any approved gifts that are retained.
- 8.3 If there is any doubt about whether an invitation or gift should be accepted then the offer should be refused. Each Corporate Director is required to review their respective Gifts and Hospitality registers at least annually. The Head of Legal will ensure that reminders on this subject and the need for officers to complete a Register of Interests form are sent out every year.
- 8.4 The procedures for Members' registers of interest are set out in the Members' Code of Conduct

### **9 Public Contracts**

- 9.1 Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK) a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. It is understood that there are no plans to amend the 2006 regulations for these to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. The Council will use its discretion as to whether to exclude organisations convicted of this offence and any instances where this is the case will be reported to the Corporate Board for a decision

### **10 Member, staff and partner Responsibilities**

- 10.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or acting for or on its behalf. All Members, staff,

## **Appendix B**

volunteers and partners are required to avoid activity that breaches this policy. Adherence to the policy is mandatory.

10.2 Members, staff, volunteers and partners must:

1. Ensure that they have read, understood and comply with the Bribery Act Policy and
2. raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future

10.3 In addition to the possibility of criminal prosecution, members of staff who breach the policy will face disciplinary action, which could result in dismissal for gross misconduct

### **11 Raising a concern**

11.1 Staff are encouraged to raise any concerns with their manager. In addition, the Council has published a Whistleblowing Procedure. This provides information on the courses of action available to report serious concerns (including bribery) in confidence. Members, staff or partners who refuse to accept the offer of a bribe may worry about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

11.2 The Council is committed to ensuring that nobody suffers detrimental treatment through refusing to take part in bribery.

### **12 Review of the Bribery Act Policy**

12.1 It is the responsibility of the Finance and Governance Group to routinely refresh, review and reinforce this policy and its underlying principles and guidelines. All members of staff are responsible for reading and understanding this policy which will also form part of the induction programme.

### **13 Other relevant policies**

13.1 The following policies, procedure documents and codes of conduct should be read in conjunction with the Bribery Act Policy:

1. Constitution
2. Anti Fraud Strategy
3. Anti Money Laundering Policy
4. Whistleblowing Procedure

## **Appendix B**

5. West Berkshire Code of Conduct
6. Disciplinary Procedure
7. Members Code of Conduct

### **14 Examples of Bribery**

- 14.1 Appendix A includes a number of examples of the types of issues that could be considered to constitute bribery

**WEST BERKSHIRE COUNCIL**

**BRIBERY ACT POLICY EXAMPLES**

## **Appendix C**

### **1 Introduction**

- 1.1 This document presents examples relating to the Bribery Act 2010 in the context of a local authority's operations. It should be noted that the examples given are to some extent 'extreme' in order to show the potential impact but Officers and Members need to approach the provisions of the Act in terms of other 'gifts and hospitality' the receipt of which may now need to be looked at in a different light

### **2 Example 1**

A local authority has put a large outsourcing contract out to tender and it is the subject of separate negotiations with several commercial partners. During the course of this tender process, the company that had previously been awarded the contract offers the managing officer a corporate hospitality outing for the entire tender team. This includes an invitation to a prestigious sporting event and a lavish dinner afterwards. It is accompanied by a note thanking the officer and the team for the work they had "done together in the past and to cement our future relationship".

This could easily be interpreted as an attempt by the company to influence the tender process and procure an improper outcome to the negotiations by way of a bribe, contrary to s.1 of the Bribery Act 2010. It might, if accepted, lead to the officer acting otherwise than in good faith and constitute the offence of receiving a bribe, contrary to s.2 of the Bribery Act 2010. In order to be a bribe the gift or other type of gain has to be intended to cause the recipient to act improperly in his or her duties. The offer ought to be refused. It is possible that if this was offered at a time when a tender process was not ongoing, it might not be inappropriate under the Bribery Act 2010 to accept the offer.

### **3 Example 2**

A local authority is engaged in the procurement of a large quantity of IT equipment in order to upgrade its systems. It wants to arrange for a number of UK, EU and overseas companies to provide competitive quotes for supply of bespoke software to run the new system. In order to arrange quotes from overseas companies, the local authority uses an international procurement agent based abroad. This agent regularly has to furnish cash payments to corrupt local officials in order to remain licensed to operate.

If the local authority failed to have 'adequate procedures' in place to



## Appendix C

prevent the payment of these cash sums, it may well be that it would be guilty of an offence under s.7 of the Bribery Act 2010 of failing to prevent bribery. This is on the basis that it has not yet been tested whether public bodies are ‘commercial organisations’ for the purpose of the Bribery Act 2010. The offence is committed when an ‘associated person’ commits bribery on behalf of a commercial organisation. If the bribery was offered with the knowledge of the local authority, it may be that it is also guilty of an offence under s.6 Bribery Act 2010 of bribing a foreign public official, if the connection between the agent and the local authority is sufficiently close.

### 4 Example 3

A local authority’s Chairman’s annual charity fundraising event is sponsored by a major food retailer (T) and has been for several years. Similarly, some of the local authority’s councillors are regularly invited by T to hospitality events, such as sport and black tie dinners. It happens that a large brown-field site is promoted for re-development by the local authority and T and a competitor (S) submit rival planning applications. S’s proposed development is objectively superior to T’s when judged by material planning considerations. In light of the long-standing relationship, a local authority planning officer informally intimates to T that a fresh large donation to the local authority’s charitable fund would ensure that both applications would be re-examined “with great care”. T’s application is recommended to the Planning Committee as preferable by the planning department but S’s is approved instead.

This would almost certainly be considered to be an offence under s.2 Bribery Act 2010 of requesting a bribe. It does not matter that the solicited bribe would go to charitable causes and not to the local authority itself, as it could be demonstrated that the increase in the local authority’s charitable fund could constitute ‘some other advantage’ under the Act. Similarly, it does not matter that the local authority preferred the application of the non-bribing applicant. Because the bribe was requested with the intention of carrying out improper performance of relevant duties, it is still inappropriate. This should be contrasted with perfectly proper negotiation over proposed s.106 Agreements, which ensure developers provide some form of benefit to the local community as part of major planning applications.

### 5 Conclusion

All of these examples are preventable incidents where the risk can be minimised in advance by the adoption of the Ministry of Justice’s guidance on principles to prevent bribery and demonstrate that it is an issue that officers and members should remain alert to.

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# Agenda Item 8.

<b>Title of Report:</b>	<b>Heads of Service Assurance Statements</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	10 September 2012
<b>Forward Plan Ref:</b>	GA2525

**Purpose of Report:** To outline the issues of concern highlighted by the Councils Heads of Service in their Annual Assurance statements.

**Recommended Action:** Review the service risks considered by Corporate Board to be significant and consider the implications they have for the Annual Governance Statement.

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

**Other options considered:** None

**Key background documentation:** None

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

**CSP9 - Doing what's important well**

The proposals contained in this report will help to achieve the above Council Strategy priorities and principles by:

Ensure the Council has effective governance in place

Portfolio Member Details	
<b>Name &amp; Telephone No.:</b>	Councillor Anthony Stansfeld - Tel (01488) 658238
<b>E-mail Address:</b>	astansfeld@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	7 <sup>th</sup> August 2012

Contact Officer Details	
<b>Name:</b>	Ian Priestley
<b>Job Title:</b>	Chief Internal Auditor
<b>Tel. No.:</b>	01635 519253
<b>E-mail Address:</b>	ipriestley@westberks.gov.uk

## Implications

**Policy:** none

**Financial:** none

**Personnel:** none

**Legal/Procurement:** none

**Property:** none

**Risk Management:** The report outlines key areas of operational risk as identified by Heads of Service, summarised and reviewed by Corporate Board

**Equalities Impact Assessment:** none required

**Corporate Board's Recommendation:** Corporate Board have reviewed the red risks that have been identified by Heads of Service and have commented on those felt to have potential strategic impact

Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
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	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	
Report is to note only	<input type="checkbox"/>	

## **Executive Summary**

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### **1. Introduction**

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

### **2. Proposals**

- 2.1 Management Board need to review the areas of concern, highlighted in the main report, and consider the comments made by Corporate Board.
- 2.2 Governance and Audit Committee and Management Board need to consider the risks identified by Heads of Service to assess whether they have any impact on the Annual Governance Statement.
- 2.3 Corporate Directors should ensure that Action Plans are reviewed with their Heads of Service on a quarterly basis.
- 2.4 The Risk Strategy Group should conduct a rolling review of risk registers with the relevant Head of Service.

### **3. Equalities Impact Assessment Outcomes**

- 3.1 There is no decision to be made and therefore no Equality Impact Assessment has been undertaken.

### **4. Conclusion**

- 4.1 The Council's Risk Management framework is robust.

# Executive Report

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## 1. Introduction

- 1.1 The purpose of this report is to provide an update on the evidence supplied by Heads of Service in their Assurance Statements for 11-12 and associated risk registers, and the results of the review carried out by Corporate Board.

## 2. Annual Governance Statement

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

## 3. Assurance Statements

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

## 4. Chief Internal Auditor's Review of Red Risks

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

- 4.3 The table below summarises, by service, the number of red risks and compares 08-09 through to 11-12. This comparison gives only a general indication of the level of operational risk.
- 4.4 The Risk Strategy Group will, over the next year, be looking more closely at service risk registers. One of the aims of this exercise will be review consistency across services, in terms of assessment of risk.

Service Area	Number of Red Risks for 08-09	Number of Red Risks for 09-10	Number of Red Risks for 10-11	Number of Red Risks for 11-12
Legal	1	0	0	0
Customer Services	0	0	0	0
Finance	0	0	1	0
Strategic Support	0	0	0	4
Human Resources	2	0	0	0
ICT	8	1	1	1
Culture & Environmental Protection	1	1	6	6
Highways & Transport	2	2	3	1
Planning & Countryside	0	0	2	2
Children	2	2	3	0
Education	3	2	2	4
Care Commissioning, Housing & Safeguarding	2	2	2	2
Adults Social Care	6	5	5	3
<b>Total</b>	<b>27</b>	<b>15</b>	<b>24</b>	<b>24</b>

## 5. Areas of concern highlighted by Heads of Service

- 5.1 The areas highlighted below have been taken from Service Risk Registers prepared by Heads of Service and reviewed by Directors.
- 5.2 Corporate Board have reviewed the red risks highlighted by Heads of Service and have commented / raised actions where felt appropriate. The following table highlights those red risks that Corporate Board feel may have a strategic impact.

	Service	Area of Concern / Risk Scenario outlined by the Head of Service	Gross risk Score	Net Risk Score	Corporate Board review
1	ICT & Education	There is a risk of a loss or failure of the Schools ICT infrastructure during the transition to a new service provider (March 2012 – Oct 2012)	12	9	This is a risk with the potential for strategic impact in terms of service delivery by schools and the reputation of the Council if the project fails. However, this is being managed through the PMM process under the supervision of the ITSB.

	Service	Area of Concern / Risk Scenario outlined by the Head of Service	Gross risk Score	Net Risk Score	Corporate Board review
					The net risk may be overstated.
2	Culture and Env Protection	There are risks posed by a failure to inspect Houses in Multiple Occupation. Poor housing conditions correlate with poor health. Also high risk of death or injury through poor management of fire risk within such properties.	12	12	There is a potential strategic impact if loss of life occurred in an HMO following a fire, and it was found that the Council had failed to inspect. However, HMO's are not numerous in West Berkshire, therefore the likelihood may be overstated at Gross and Net level. Suggest Gross L2 I4 = 8 & Net L2 I4 = 8.
3	Culture and Env Protection	There is a risk that the claim from Veolia (Veolia have submitted a book of claims totalling £1.4m) for a "supervening" event, based on their claim that the Padworth site is not fit for purpose, will succeed.	12	9	The scale of the claim from Veolia means the issue needs to be considered in terms of strategic impact
4	Education	There is a risk, posed by reliance on a single individual using a bespoke model, to accuracy and reliability of pupil planning and sufficiency data. This may impact of school organisation.	9	9	Clearly there are likely to be significant financial / organisational impacts if this risk materialises, but the net score feels a little high given controls in place. Suggest Director and Head of Service review again. Recommend reduce net likelihood to 2 and hence overall net score to 6.
5	Care Comm, Housing and Safeguarding	There is a risk of serious harm to children if Child Protection Plans remain in place without change being achieved within families, or if Plans are discharged too early. High turnover of SW staff can exacerbate this problem. Risks need to be clearly identified and managed.	12	9	The Director and Heads of Service are to review the actual level of this risk together. The Ofsted Inspection Action Plan will identify any further actions required. Given the potential for abuse or loss of life if risk is not clearly identified and managed, this risk has strategic impact.

## 6. Recommendation

- 6.1 Management Board and Governance and Audit Committee should review the issues raised by the Heads of Service and the comments made by Corporate Board and consider whether there is any impact on the Annual Governance Statement.
- 6.2 The Risk Strategy Group should be tasked with conducting a review of service risk registers.

## Appendices

Appendix A – Equality Impact Assessment – Stage 1  
Appendix B – Proforma Assurance Statement



## **Consultees**

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**Local Stakeholders:** N/a  
**Officers Consulted:** Corporate Board  
**Trade Union:** N/a

## Equality Impact Assessment – Stage One

<b>Name of item being assessed:</b>	Heads of Service Assurance Statements
<b>Version and release date of item (if applicable):</b>	
<b>Owner of item being assessed:</b>	Ian Priestley
<b>Name of assessor:</b>	Ian Priestley
<b>Date of assessment:</b>	19 <sup>th</sup> July

<b>1. What are the main aims of the item?</b>
Review service risks and consider the potential for strategic impact

<b>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.</b> (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this.</b>
none		
<b>Further comments relating to the item: N/a</b>		

<b>3. Result</b> (please tick by clicking on relevant box)	
<input type="checkbox"/>	<b>High Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Medium Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Low Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input checked="" type="checkbox"/>	<b>No Relevance</b> - This <b>does not</b> 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.**

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

**Name:** Ian Priestley

**Date:** 19<sup>th</sup> July 2012

## **Annual Governance Statement – Head of Service Assurance Statement**

Guidance note for officers and Members completing the Statement

The Accounts and Audit Regulations 2006 requires the Council to publish an Annual Governance Statement (AGS). The AGS is prepared annually by the “Finance and Governance Group” and is signed by the Leader and Chief Executive. In summary the AGS is a statement of assurance to the effect that:

- The Council has followed the 6 principles of Corporate Governance, outlined in the CIPFA / SOLACE publication “Delivering Good Governance in Local Government” and confirmed in the Council’s own Local Code of Corporate Governance
- the Council has an effective Internal Control Framework (ICF) in place
- the ICF has been reviewed in the preceding year. (It must be reviewed annually)
- that any weaknesses that have been identified in the ICF are being dealt with through an appropriate action plan.

Each Head of Service is responsible for delivering the objectives set out in their service plan. Heads of Service are responsible for identifying and managing the risks that may affect delivery of service objectives. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place.

Each Head of Service is required to assist the preparation of the AGS for the Council by providing an assurance statement for the internal control framework within their service. Taken together the assurance statements from the Heads of Service will form a key part of the evidence that supports the signing of the AGS by the Leader and Chief Executive.

An outline recommended Statement of Assurance is attached.

The Head of Service should read and **amend as appropriate** the Statement before signing the statement.

The signed statement should be passed to your Corporate Director to be countersigned, along with a copy of your up to date risk register.

An electronic copy of the Statement, with an electronic copy of the up to date service risk register should be emailed to [jpriestley@westberks.gov.uk](mailto:jpriestley@westberks.gov.uk).

The Corporate Director should confirm the accuracy of the statement – including their regular review of the service risk register and pass the statement, and risk register, to the Portfolio Holder for the Service to review and sign.

The completed statement, with a copy of the risk register should be returned, to Ian Priestley – Chief Internal Auditor – Finance Service - Market St, by 31st May 2012 at the latest.

**Statement of Assurance for .....Service**

1	<p><b>Statutory obligations &amp; Local Code of Corporate Governance</b></p> <p>I have identified all principal statutory obligations and these are identified in my Service Plan. The Service Plan clearly sets out how the statutory obligations will be delivered. The principles of Corporate Governance outlined in the Council's Local Code of Corporate Governance have been consistently applied in the delivery of this Service.</p>	
2	<p><b>Service Risk Register</b></p> <p>I have identified all risks that may affect the delivery of the service plan objectives. My Service Management Team has reviewed the register each quarter. I have reviewed the risk register with my Corporate Director each quarter. A copy of the Risk Register is attached to this statement.</p>	
3	<p><b>Internal Controls</b></p> <p>I have identified controls that are designed to mitigate the risks identified in 2 above. I have assigned responsibility for the effective operation of each control to a nominated officer. I have, through the 1.2.1 process, obtained assurance and evidence from each nominated officer that the controls have been tested and are operating effectively. <b>I confirm that all my Budget Holders are aware of and have read the Council's Financial and Contracts Rules of Procedure that are available as part of the Council's Constitution on the Intranet.</b></p>	
4	<p><b>Control Weaknesses</b></p> <p>I have identified risks that are considered to be significant (Red) and that do not at present have effective controls to mitigate the level of risk. I have put in place action plans to provide effective controls going forwards where resources allow. I have through 1.2.1's and my Service Management Team, ensured continuous review of the progress of action plans. Where action plans have fallen behind schedule the Corporate Director has been informed Where resources are not available to deliver the required controls the Corporate Director has been informed.</p>	

**Statement of Assurance for .....Service**

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

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<b>Title of Report:</b>	<b>Annual Governance Statement - Statement in Support by the Section 151 Officer</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	10 September 2012
<b>Forward Plan Ref:</b>	GA2539

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

**Recommended Action:** To note the report.

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

**Other options considered:** None

**Key background documentation:** Action plans relating to risk.

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

**CSP9 - Doing what's important well**

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

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

<b>Contact Officer Details</b>	
<b>Name:</b>	Andy Walker
<b>Job Title:</b>	Head of Finance / Section 151 Officer
<b>Tel. No.:</b>	01635 519433
<b>E-mail Address:</b>	awalker@westberks.gov.uk

## **Implications**

**Policy:** Established as part of CIPFA guidance and reporting arrangements adopted by Council in connection with the Annual Governance Statement.

**Financial:** No financial implication associated with this report.

**Personnel:** N/A

**Legal/Procurement:** In accordance with the provisions of the Local Government Acts 1972 and 2000 and the Local Government and Housing Act 1985 together with any amendments thereto. In addition the Local Government & Public Involvement in Health Act 2007 is applicable.

**Property:** None

**Risk Management:** Insofar as is possible any risks have been assessed in accordance with the Risk Strategy.

**Equalities Impact Assessment:** none required.

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



## Executive Summary

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### 1. Introduction

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

### 2. Proposals

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

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

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

### 3. Conclusion

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

# Executive Report

---

## 1. Background

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

## 2. Role of the Section 151 Officer

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

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

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

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

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

- 2.5 Throughout the year budget monitoring ensures that any budget overspends or income shortfalls are identified and corrective measures can be put in place to ensure that the overall council revenue budget keeps within the policy and budgetary framework agreed at the annual budget setting process. In 2011/12 the outturn has delivered an underspend of just under half a million pounds against the budget. This result only represented a 0.4% variance to the Council Budget for 2011/12 and which is considered reasonable.

- 2.6 All Executive or other decision making body reports have clearly set out financial recommendations. It is the responsibility of the s151 Officer to ensure that the financial implications of all such decisions are adequately considered and that recommendations are based upon prudent financial advice. The s151 Officer is a member of Corporate Board and involved in all significant resource decisions of the authority.
- 2.7 The Council has a Medium Term Financial Strategy in place, and a Transformation and Efficiency Programme to assist the delivery of the Strategy. There is also a Finance and Governance Group of Officers whose membership includes both the s151 Officer and Monitoring Officer overseeing and monitoring all aspects of financial governance and escalating where necessary any issues that need Corporate Board action and support.
- 2.8 There has been no necessity to implement the Section 114 process during 2011/12 and the s151 Officer confirms the robustness of the financial and budgetary frameworks.

### **3. Conclusion**

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

### **Appendices**

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There are no Appendices to this report.

### **Consultees**

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**Local Stakeholders:** N/A

**Officers Consulted:** Ian Priestley and David Holling, Corporate Board

**Trade Union:** N/A

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<b>Title of Report:</b>	<b>Annual Governance Statement - Statement in Support by the Monitoring Officer</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	10 September 2012
<b>Forward Plan Ref:</b>	GA2540

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

**Recommended Action:** To note the report.

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

**Other options considered:** None

**Key background documentation:**

- Reports to Standards Committee relating to alleged breaches of the Code of Conduct during 2011/2012
- Action plans relating to risk
- Updates to the constitution
- Other reports on potential impacts of legislation

<p>The proposals will help achieve the following Council Strategy principle:</p> <p><input checked="" type="checkbox"/> <b>CSP9 - Doing what's important well</b></p> <p>The proposals contained in this report will help to achieve the above Council Strategy principle by:</p> <p>Reviewing and providing assurance on the effectiveness of the Council's governance and other arrangements which may impact on the Annual Governance Statement</p>
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<b>Contact Officer Details</b>	
<b>Name:</b>	David Holling
<b>Job Title:</b>	Head of Legal Services/Monitoring Officer
<b>Tel. No.:</b>	01635 519422
<b>E-mail Address:</b>	dholling@westberks.gov.uk

**Implications**

**Policy:** Established as part of CIPFA guidance and reporting arrangements adopted by Council in connection with the Annual Governance Statement.

**Financial:** No financial implication associated with this report.

**Personnel:** N/a

**Legal/Procurement:** In accordance with the provisions of the Local Government Acts 1972 and 2000 and the Local Government and Housing Act 1985 together with any amendments thereto. In addition the Local Government & Public Involvement in Health Act 2007 is applicable.

**Property:**

**Risk Management:** Insofar as is possible any risks have been assessed in accordance with the Risk Strategy.

**Equalities Impact Assessment:** Little impact on outside services/users, see appendix.

<b>Is this item subject to call-in?</b>	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
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		<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council		<input type="checkbox"/>
Delays in implementation could compromise the Council's position		<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months		<input type="checkbox"/>
Item is Urgent Key Decision		<input type="checkbox"/>
Report is to note only		<input type="checkbox"/>

# Executive Summary

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## 1. Introduction

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

## 2. Proposals

- 2.1 Throughout the year the Governance and Audit Committee is referred to amendments to the Council's constitution and its rules of procedure where amendment is necessary. Subject to its view, matters are then referred to Council for adoption. This ensures that administrative processes remain effective, efficient and pertinent.
- 2.2 Ethics and matters of probity are dealt with by Standards Committee. The development the complaints regime as regards complaints about District and Parish Members has been reviewed and updated following the Localism Act 2011. Members have been updated on changes to Standards arrangements and the processes for dealing with complaints.
- 2.3 Reviews of risk registers have been carried out by the Monitoring Officer and S151 Officer in their roles as members of the Council's Corporate Board. In addition, liabilities likely to impact upon the Council's operations from a legal perspective where appropriate have been identified.

## 3. Equalities Impact Assessment Outcomes

- 3.1 There is no decision to be made but an Equality Impact Assessment has been undertaken.

## 4. Conclusion

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

# Executive Report

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## 1. Background

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

## 2. The Role of the Monitoring Officer

- 2.1 Section 5 of the Local Government and Housing Act 1989 requires the Monitoring Officer to prepare a formal report to full Council where it appears that the Council, a committee or an Officer has acted or is likely to act illegally, or in a manner such as to constitute maladministration or injustice. The Monitoring Officer's role in essence is to ensure the legality of local governance arrangements based upon statutory requirements and guidance from Government and other outside bodies. As mentioned above, this role complements that of the Section 151 Officer and the Head of Paid Service (the Chief Executive) whose roles are also established by statute. The Monitoring Officer is part of the Council's Corporate Board and attends meetings of the Finance and Governance Group which looks at use of resources and has taken on the role of reviewing the constitution in a systematic way. If changes are necessary due to legislative impacts or administrative arrangements these are reported to Corporate Board, the Governance and Audit Committee and ultimately Council for member adoption. The process is open and transparent.
- 2.2 The formal report process under Section 5 is one which should be approached with extreme caution and should not be undertaken lightly. If such action is proposed it is generally the view that outside advice from Counsel should be sought by the Monitoring Officer. During 2010/11 there have been no reports or investigations necessary which fall within the requirements of Section 5 of the 1989 Act.
- 2.3 The Monitoring Officer's advice has been sought in connection with a number of day-to-day administrative matters and in particular advice in connection with the Code of Conduct for Members and Officers. Training has been provided for Members and Officers on the Council's Code of Conduct and Officer Code. In addition there have been several sessions arranged for Town and Parish Councils and on occasion for individual parishes following recommendations from Standards Committee if considered appropriate.



### **3. Robustness of corporate governance arrangements**

- 3.1 As Members will be aware, this Committee considers reports throughout the year regarding certain amendments which have been required in connection with changes to the Constitution.
- 3.2 During 2010/11 following an audit of the Constitution and its processes the Finance and Governance Group of Officers which includes the Monitoring Officer, S151 Officer, Chief Internal Auditor and Head of Strategic Support began a systematic review of each part of the Constitution. This process has resulted in a number of changes to various parts some brought about due to legislative changes and others as a result of administrative arrangements within the Council. This process continued into 2011/12 and has taken into account The Localism Act 2011 which has introduced changes at various levels within the Council.
- 3.3 This systematic review of the Constitution ensures that the Council's administrative arrangements remain effective and efficient bearing in mind changes imposed by government and other bodies as well as improving transparency and openness.

### **4. Ethics & Probity**

- 4.1 As in previous years, ethics and probity matters were considered by the Council's Standards Committee. Training sessions for Members of West Berkshire Council and Parish and Town Councils have been held in order that the Council fulfilled its role as "Responsible Authority" under the Local Government Act 2000 and now under the Localism Act 2011.
- 4.2 Whilst there were complaints and references to the Standards Committee throughout 2011/12 none of them required full investigation either by an Ethical Standards Officer on behalf of Standards for England or by reference to the First Tier Tribunal. These two bodies have now been abolished. Complaints have been considered at local level and will continue to be under the revised Standards regime.
- 4.3 The number of complaints has remained relatively static. The Council's website provides a complaints form which was initially referred to an Assessment Sub-Committee. It determines if there is any breach of the Code and if so can refer matters for investigation by the Monitoring Officer, or his representative, or take no further action. If an investigator is appointed the individual reports back to a separate Hearing Sub-Committee to determine the matter.
- 4.4 The Localism Act 2011 and various commencement orders has introduced new requirements for standards for District and Parish Councils. The provisions came into effect from June 2012 and the Council has adopted a new Code of Conduct made revised arrangements for dealing with complaints and appointed 'Independent Persons' to assist in dealing with complaints together with an Advisory Panel to consider complaints which are referred for investigation. Training has been held for both District and Parish and Town Councils on the new regime which is developing and evolving.

### **5. Implementation of Action Plans from Strategic Risk Register**

- 5.1 All strategic risks are placed on a risk register and reviewed by Corporate Board and Management Board throughout the year. All major risks were considered by individual groups of Officers dealing with particular projects and actions arising from

the “red risks” on service risk registers have been reviewed to ensure that the council’s risks items are considered at the highest level. Both the Monitoring Officer and S151 Officer sit on the Corporate Board and attend Management Board.

## **6. Potential Liabilities**

6.1 Whilst there have been cases considered by various courts during the year, none of these were of significance to warrant particular risks being identified. There have been major cases in the Crown Court and judicial reviews of certain decisions. These cases will be closely monitored by Legal staff and where appropriate referred to the relevant Risk Register. As a result of reductions in funding in certain areas there have been a number of Judicial Review cases and overall there has been an increase in the number of instructions received by Legal Services from services throughout the Council.

## **7. Conclusion**

7.1 It is the Monitoring Officer’s assessment that the Council’s governance arrangements are robust and effective. As a result of regular reviews of legislation, changes to processes and procedures are covered off either by Governance and Audit Committee or the Standards Committee. The Constitution and its associated rules are reviewed to ensure they are up to date. There have been no formal reports required by either the Monitoring Officer or S151 Officer to Council under the relevant legislation. Ethical matters relating to probity are being managed on a day to day basis by the Monitoring Officer and the Standards Committee. This is being updated as a result of the Localism Act. The Risk Register does not highlight any specific legal or procedural matters which require investigation.

## **Appendices**

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Appendix A – Equality Impact Assessment – Stage 1

## **Consultees**

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**Local Stakeholders:** N/a

**Officers Consulted:** Andy Day; Ian Priestley; Andy Walker, Corporate Board

**Trade Union:** N/a

## Equality Impact Assessment – Stage One

<b>Name of item being assessed:</b>	Annual Governance Statement - Statement in Support by the Monitoring Officer
<b>Version and release date of item (if applicable):</b>	
<b>Owner of item being assessed:</b>	David Holling
<b>Name of assessor:</b>	David Holling
<b>Date of assessment:</b>	18th July 2012

<b>1. What are the main aims of the item?</b>		
To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.		
<b>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.</b> (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this.</b>
None		
<b>Further comments relating to the item: N/a</b>		

<b>3. Result</b> (please tick by clicking on relevant box)	
<input checked="" type="checkbox"/>	<b>High Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Medium Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Low Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input checked="" type="checkbox"/>	<b>No Relevance</b> - This <b>does not</b> 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.**

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

**Name:** David Holling

**Date:** 18th July 2012

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# Agenda Item 11.

<b>Title of Report:</b>	<b>Annual Governance Statement 2011-12</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	10 September 2012
<b>Forward Plan Ref:</b>	GA2524

**Purpose of Report:** To review the Annual Governance Statement .

**Recommended Action:** To agree the Annual Governance Statement.

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

**Other options considered:** None

**Key background documentation:** None

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

**CSP9 - Doing what's important well**

The proposals contained in this report will help to achieve the above Council Strategy principle by:

Portfolio Member Details	
<b>Name &amp; Telephone No.:</b>	Councillor Anthony Stansfeld - Tel (01488) 658238
<b>E-mail Address:</b>	astansfeld@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	7 <sup>th</sup> August 2012

Contact Officer Details	
<b>Name:</b>	Ian Priestley
<b>Job Title:</b>	Chief Internal Auditor
<b>Tel. No.:</b>	01635 519253
<b>E-mail Address:</b>	ipriestley@westberks.gov.uk

## Implications

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**Policy:** none  
**Financial:** none  
**Personnel:** none  
**Legal/Procurement:** none  
**Property:** none  
**Risk Management:** none  
**Equalities Impact Assessment:** See Appendix A

Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
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	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	
Report is to note only	<input type="checkbox"/>	

## **Executive Summary**

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### **1. Introduction**

1.1 The report sets out the Annual Governance Statement for the Council for 2011-12.

### **2. Proposals**

2.1 The Annual Governance Statement for 2010-11 outlined one area where action was required. This was:

(1) Service resilience – may lead to failures in key systems

2.2 Although some work has been done in assessing the implications of this risk, more work is required as the issue is ongoing with further cost reductions that will put more pressure on service resilience.

2.3 In addition Corporate Board consider that Council needs to review the processes around risks posed by challenges following changes in the way the Council delivers services. The Head of Strategic Support will review the Council's procedures for consulting effectively and consistently on proposed changes to services to minimise the risk of any challenge being successful

### **3. Equalities Impact Assessment Outcomes**

3.1 There is no decision to be made and therefore no Equality Impact Assessment has been undertaken.

### **4. Conclusion**

4.1 The Council's governance arrangements are robust.

# Executive Report

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## 1. Introduction

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

## 2. Purpose of the AGS

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

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

- 2.2 A copy of the AGS for 2011-12 is attached to this report for review, at Appendix B.
- 2.3 The approach taken by the Council to carrying out the review of the system of internal control was set out in the report to Corporate Board in December 05. This report identified the sources of assurance that underpin the review. These are:
- (1) Head of Service Assurance Statements and service risk registers
  - (2) The “Head of Internal Audit” annual report
  - (3) The Monitoring Officer’s annual report
  - (4) The s151 Officer’s annual report
- 2.4 This evidence provides the assurance that enables the Leader and Chief Executive to sign the AGS with confidence.
- 2.5 The Annual Governance Statement was prepared by the Finance and Governance Group and reviewed by Corporate Board.

## 3. Role of Governance and Audit Committee re the AGS for 2011-12

- 3.1 A key function of the Governance and Audit Committee is to review and approve the AGS for 11-12 prior to it being signed off by the Chief Executive and Leader of the Council.
- 3.2 In order to be able to review the AGS the Committee needs to examine the evidence, noted in 2.3, above, that supports the AGS.

## Appendices

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Appendix A – Equality Impact Assessment – Stage 1  
Appendix B - Annual Governance Statement



## Consultees

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**Local Stakeholders:** N/a

**Officers Consulted:** Corporate Board, Finance and Governance Group

**Trade Union:** N/a

## APPENDIX A

### Equality Impact Assessment – Stage One

<b>Name of item being assessed:</b>	Annual Governance Statement
<b>Version and release date of item (if applicable):</b>	
<b>Owner of item being assessed:</b>	Ian Priestley
<b>Name of assessor:</b>	Ian Priestley
<b>Date of assessment:</b>	19 July 2012

<b>1. What are the main aims of the item?</b>
To provide an annual governance statement for the Council for 2011-12

<b>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.</b> (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this.</b>
none		
<b>Further comments relating to the item:</b>		

<b>3. Result</b> (please tick by clicking on relevant box)	
<input type="checkbox"/>	<b>High Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Medium Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Low Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input checked="" type="checkbox"/>	<b>No Relevance</b> - This <b>does not</b> 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.**

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

**Name:** Ian Priestley

**Date:** 19 July 2012

## **Annual Governance Statement for the year 2011-12**

### **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 2012 and up to the date of approval of the annual report and statement of accounts.

### **3 The governance framework**

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

- identifying and communicating West Berkshire Council's vision of its purpose and intended outcomes for citizens and service users
- reviewing West Berkshire Council's vision and its implications for West Berkshire Council's governance arrangements
- measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's objectives and ensuring that they represent the best use of resources
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, the scheme of delegation, which clearly define how decisions are taken and the processes and controls required to manage risks
- 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 an annual review of the effectiveness of Internal Audit
- whistle-blowing and for receiving and investigating complaints from the public
- identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

### **4 Review of effectiveness**

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

West Berkshire Council who have responsibility for the development and maintenance of the governance environment.

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

- The work of the Finance and Governance Group
- The work of the Risk Strategy Group and the Risk Management framework.
- The annual assurance statements produced by all Heads of Service
- The work of the Governance and Audit Committee
- The work of the Standards Committee
- The work of Internal Audit
- The work of the Overview and Scrutiny Commission.

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

## **5 Significant governance issues identified in the AGS for 2010-11**

5.1 The following is an outline of the significant governance issues that were identified in the 2010-11 AGS.

- Service resilience – may lead to failures in key systems

5.2 The following measures were implemented during 2011-12:

- Heads of Service considered service resilience in their ongoing review of service risk.

## **6 Significant Governance Issues identified in 2011-12**

6.1 The following is an outline of the significant governance issues that have been identified in preparing the 2011-12 AGS.

- Service resilience – may lead to failures in key systems. This remains a key risk for the Council, and further work needs to be done to mitigate the risk.
- Judicial Review - Challenges have been made in the Courts to the way the Council proposes to deliver certain services in future, and there remains a risk of Judicial Review in respect of certain changes

6.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps

will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

- The Risk Strategy Group will review, with Heads of Service, their proposals for mitigating the risk to service resilience posed by ongoing cost reductions.
- The Head of Strategic Support will review the Council's procedures for consulting effectively and consistently on proposed changes to services to minimise the risk of any challenge being successful.

Signed:

Nick Carter – Chief Executive

Graham Jones – Leader of the Council