

West Berkshire Council

*Financial Statement of
Accounts 2010-11
(Subject to final review by KPMG)*

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Introduction to West Berkshire

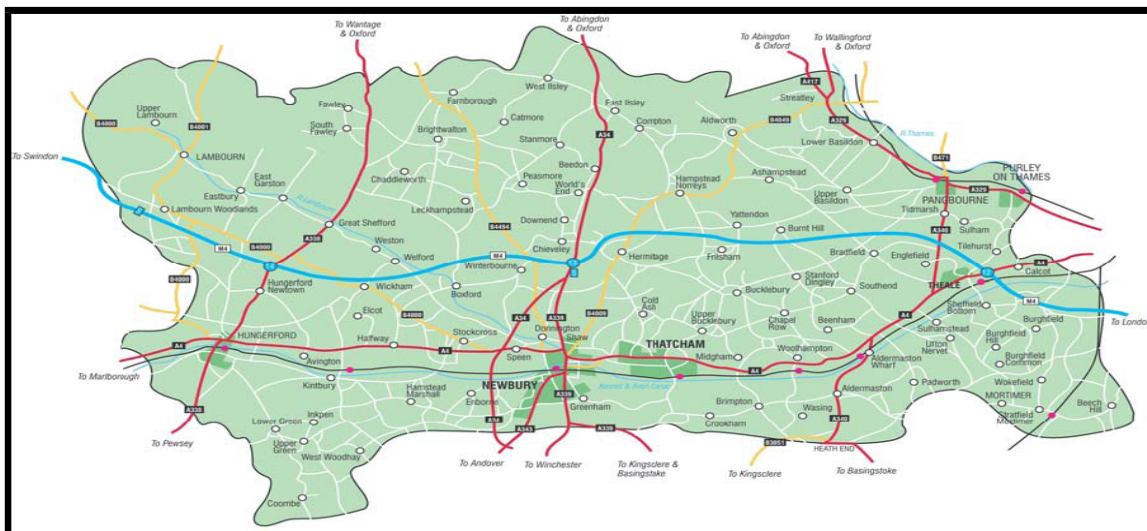
West Berkshire is an administrative area of 704 square kilometres containing extensive rural areas; 74% of the land area lies within the North Wessex Downs Area of Outstanding Natural Beauty (AONB). There are two main urban areas, the towns of Newbury and Thatcham and the urban areas of Tilehurst and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

There are 80 maintained schools in West Berkshire and the area is known for its high educational standards. Community Care and Children and Young People are high on the community agenda.

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



Explanatory Foreword

Foreword to the financial statements 2010-11

What do the accounts mean?

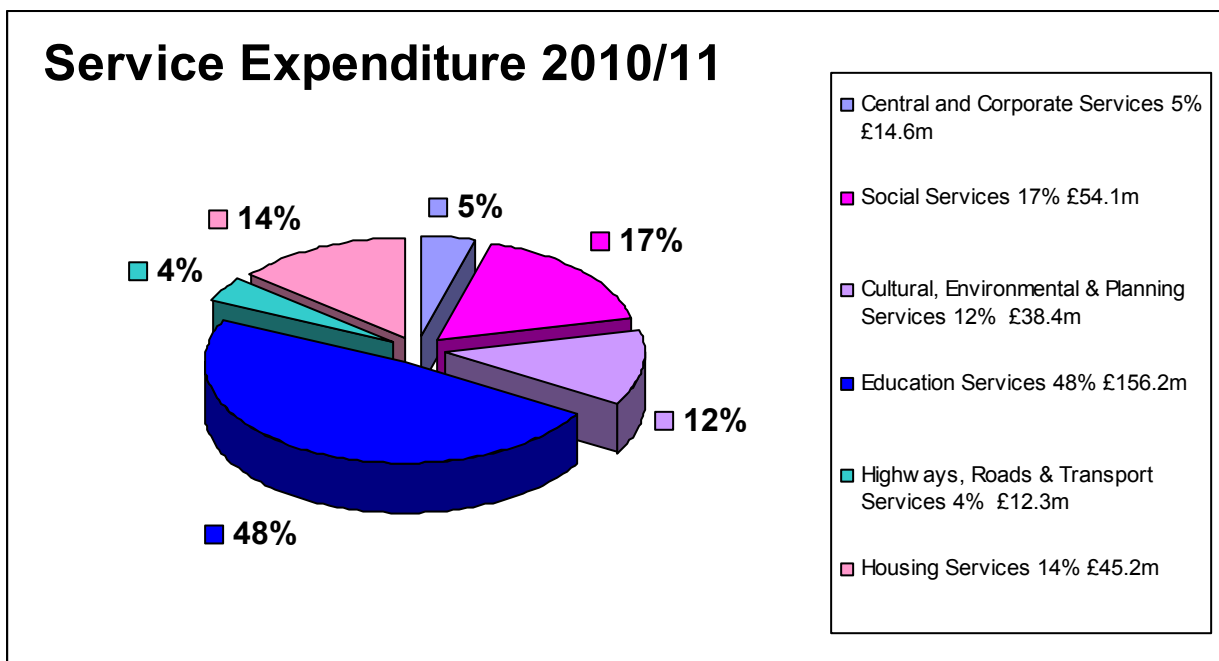
Users of the financial statements will have a variety of interests in the financial statements of the Council; some of the primary areas of interest will be:

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

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

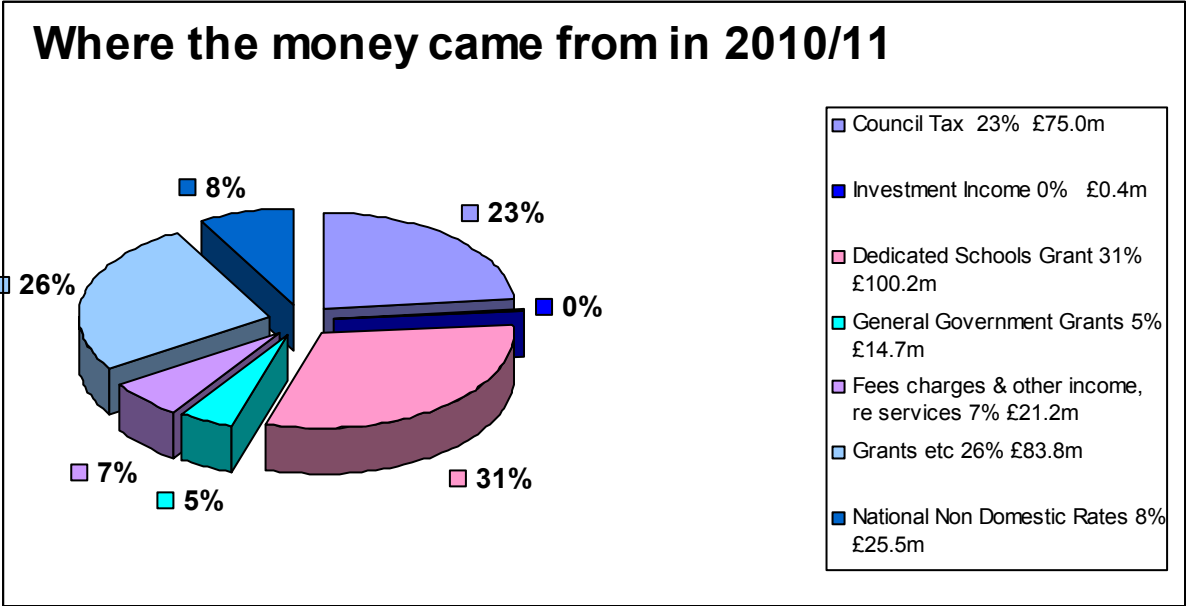
For the 2010-11 financial year, the Council produced an under spend of £686k. The level of the Council's general reserve stands at £7.8m.

Where the Council spends money:



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

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



Overview of the financial year 2010-11

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

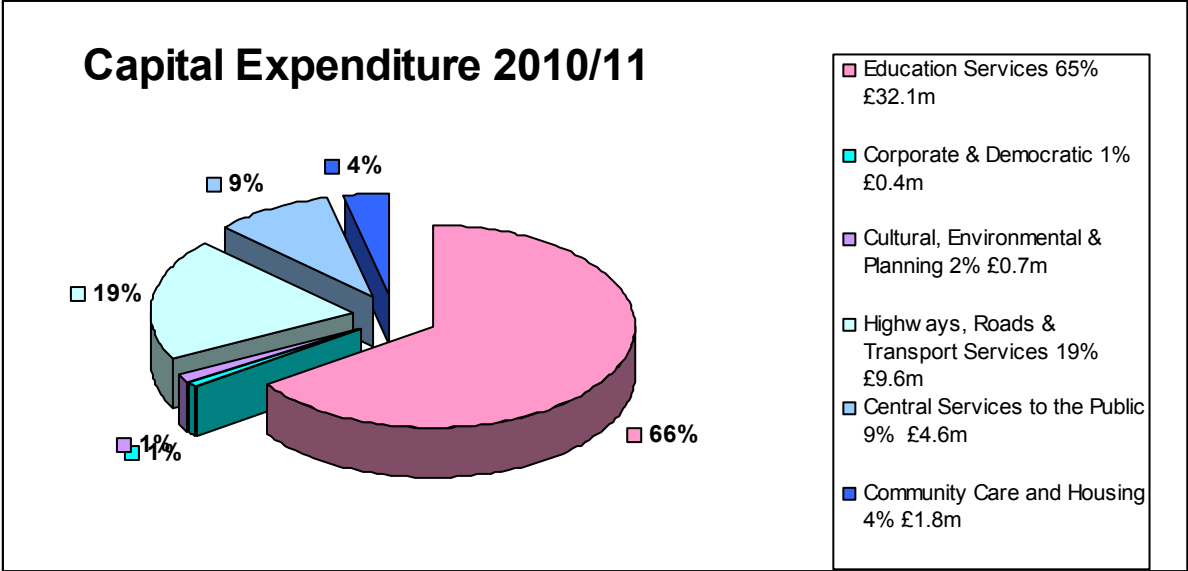
As part of the Council’s implementation of IFRS, it has changed its policy on the accounting treatment of certain long term elements of highways expenditure from revenue to capital expenditure. This has given the Council a one-off net revenue benefit of circa £1.5m, but with additional capital borrowing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

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

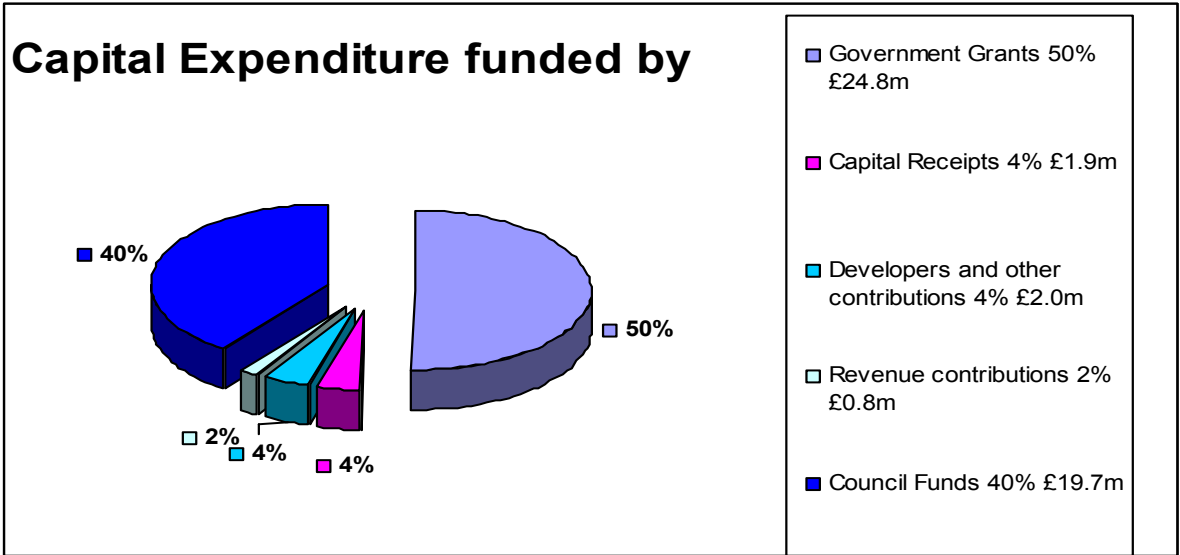
The majority of the Council's other services contributed underspend positions; no one service delivered an underspend that is noteworthy on its own. A full copy of the outturn report can be found on:

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

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



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



Audit

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

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

Changes to the presentation of these statements for 2010-11

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

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

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

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

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

Looking to the future

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

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

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

Explanation of the statements

The statements included in the accounts are explained below:

The Statement of Accounting Policies details the legislation and principles on which the Statement of Accounts has been prepared. An understanding of the principles used to prepare the accounts is necessary to comprehend the information contained in the Statement of Accounts. These have now been included in note 1 to the core financial statements.

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

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes

reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' .

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

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cashflows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the 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 responsibilities for the Statement of Accounts identifies the officer who is responsible for the proper administration of the Authority's financial affairs, including the communication that the accounts present a true and fair view of the financial position of the Authority.

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

Comprehensive Income and Expenditure Account

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

Services		
(22,882)	Surplus or deficit on revaluation of Fixed Assets	(8,319)
78,700	Actuarial (gains) / losses on pension assets / liabilities	(47,739)
55,818	Other Comprehensive Income & Expenditure	(56,058)
93,468	Total Comprehensive Income & Expenditure	(52,262)

Balance Sheet

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

6,841	7,117	General Fund	39	7,801
2,256	1,213	Working Balances	39	777
16,552	17,575	Earmarked Reserves	39	15,386
39	26	Deferred Credit	37	19
593	606	Usable Capital Receipt	38	20
55,035	42,049	Capital Reserves		37,360
217,104	136,366	Unusable reserves	40	195,851
298,420	204,952	TOTAL RESERVES		257,214

Movement in Reserves Statement

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

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

Cash Flow Statement

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

Notes to the Core Financial Statements

(1) Accounting Policies

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

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

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

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

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

a) Employee Costs

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

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

b) Retirement Benefits

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

- The Teacher's Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).

- The Local Government Pensions Scheme is administered by The Royal Borough of Windsor and Maidenhead.

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

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

The Local Government Pension Scheme

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

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

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- Contributions paid to the Berkshire pension fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

c) Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed, where there is a gap between the date supplies are received and their consumption; they are carried as inventory on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress in the Balance Sheet
- Interest payable on borrowing and receivable on investment is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised in the accounts but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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

d) Cash and Cash Equivalents

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

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

e) Inventories

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

f) Overheads and Support Services

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

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

g) Interest

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

h) Debtors and Bad Debts

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

i) Investment

Investments are shown in the Balance Sheet at cost.

j) Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

k) Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits these do not represent usable resources for the

council. Both usable and unusable reserves are explained in the relevant notes below.

I) Non-Current Assets

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

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

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

CIPFA guidance allows authorities to choose whether to depreciate its assets at either the mid point through the year or at the end of the year. West Berkshire assets have been depreciated at the end of the year.

Non-current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and shown in the Balance Sheet using the following headings:

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

Assets included in the Balance Sheet at fair value are revalued as a minimum every five years, except for Investment properties which are revalued annually. From 2007/08 all increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

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

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

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

gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

m) Investment Property

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

n) Depreciation

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

All assets with the exception of freehold land, community assets, investment properties and assets under construction are depreciated,

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment - straight line allocation over the life of the asset, mainly 10 years.
- IT assets are depreciated over 5 years.
- Infrastructure – straight line allocation, between 10 and 40 years.

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

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

o) Revenue Expenditure Funded from Capital Under Statute

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

p) Charges to Revenue for non current assets

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

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

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

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the capital adjustment account.

q) Capital Financing

The Prudential Code Framework places the emphasis for capital expenditure on affordability. Local authorities themselves decide how much they can afford to borrow, the costs of this borrowing being met from the revenue budget. 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 has determined that it can support an annual Capital programme of approximately £15 million.

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

r) Financial Liabilities

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

However the stock issued by the Council in 2010/11 is carried at a lower amortised cost than the outstanding principal and interest is charged at a marginally higher effective rate of interest than the rate payable to stockholders as a material amount of costs incurred in its issue is being financed over the life of the stock.

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

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

s) Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

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

Available-for-sale Assets

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

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

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

Changes in fair value are balanced by an entry in the Capital Adjustment Account and the gain/loss is recognised in the Surplus or Deficit on the Provision of Services. The exception is where impairments losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

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

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

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

Instruments Entered into Before 1 April 2006

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

t) Deferred Capital Receipts

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

u) Capital Receipts

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

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

v) Borrowing

The loan debt held by Berkshire County Council (BCC) when it was abolished due to local government reorganisation as at the 31st March 1998 amounted to approximately £220m. The portfolio of debt consisted entirely of Public Works Loans Board (PWLB) loans, of which some £40m was deemed to be West Berkshire’s liability as part of the disaggregation process. At that time it was agreed by all the Berkshire authorities that the total debt would be administered by Reading Borough Council as part of their role as Designated Authority overseeing the closure of the BCC accounts

The Prudential Code presented the opportunity for this Council and other Berkshire authorities to take back the direct management of the remaining part of the ex BCC loan debt. The transfer took place with effect from 1st December 2005 and at that time £28.92m of Public Works Loan Board debt was transferred to West Berkshire Council.

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

w) Trusts

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

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

x) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, both capital and revenue, and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the

grant/contribution. There must also be reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is moved to the relevant service revenue account.

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

y) VAT

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

z) Leases

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

aa) Post Balance Sheet Events

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

bb) Contingent Liabilities

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

cc) Group Accounts

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

dd) Private Finance Initiative (PFI)

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

Prepayments

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

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

Reversionary Interests

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

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

Residual Interests

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

PFI Credits

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

ee) Landfill allowance

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

to landfill. From 1 April 2005 central government introduced a trading scheme, which allocates tradable landfill allowances.

These allowances are recognised as current assets in the Council's Balance Sheet at market value. As waste is sent to landfill a liability is incurred to hold allowances equal to the landfill usage that is recognised as a current liability in the Council's Balance Sheet. Unused allowances at the end of the year are shown on the Balance Sheet, as an earmarked reserve, at a weighted average value.

ff) Redundancy Policy

It is West Berkshire Council's policy to minimise the impact of organisational change on its employees and to redeploy employees whenever possible. Therefore redundancies and redundancy payments only occur when absolutely necessary and in full agreement with Trade unions.

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

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

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

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

(3) Critical judgements

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

The critical judgements made in the Statement of Accounts are:

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

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

(4) Net Cost of Services

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

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

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

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

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

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

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

(6) Parish Council Precepts

Parish councils are required to precept on the Council, which in turn precepts on the collection fund. The total precept is £3,302k.

There was also a special expenses precept on the parishes concerning closed church yards of £10k.

(7) Trading Operations

West Berkshire Council operates a 'buy-back' scheme for schools in West Berkshire. Schools are able to procure services from the open market; some schools chose to buy services from the Council. The services provided by the Council include Property, Payroll, HR, Finance, ICT, Health & Safety, Insurance and Tree Management. These are classified as internal trading accounts.

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

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

<u>Trading Operations</u>			
<u>2009/10</u>		<u>2010/11</u>	
(Surplus) deficit		Income	(Surplus) deficit
£000's		£000's	£000's
(31)	External Trading Accounts	499	(484)
(145)	Internal Trading Accounts	4,209	(4,659)
(176)	Net deficit	4,708	(435)

(8) Income from Council Tax

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

(9) Grant Income

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

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

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

(10) Special Expenses

Separate Revenue Accounts are maintained for Hungerford Town Council, Shaw Cum Donnington Parish Council, Kintbury Parish Council and Theale Parish Council. They account for items of expenditure specific to these areas for which a special precept is levied. The entry in the Income and Expenditure Account reflects the transfer of Council Tax income to the Special Expenses Account. Details of the special expense areas are as follows:

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

(11) Reconciliation from UK GAAP to IFRS

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

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

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

Balance Sheet

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

General fund	7,116	0	0	0	0	1	0	7,117
Revaluation Reserve	41,837	0	0	0	0	(41,837)	0	0
Capital Adjustment Account	216,263	0	0	0	0	(216,263)	0	0
Pension Reserve	(163,662)	0	0	0	0	163,662	0	0
Collection Fund adjustment Account	(681)	0	0	0	0	681	0	0
Unusable Reserves	0	0	0	0	(4,401)	139,560	1,208	136,367
TOTAL EQUITY	122,279	0	0	0	(4,401)	85,866	1,208	204,952

(12) Prior Year Adjustment

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

(13) 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.

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

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

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

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

(14) Pooled Accounts

Memorandum Account

Pooled Budget: Community Equipment Services

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

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

A summary of income and expenditure is given below:

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

(15) Disclosure of Remuneration

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

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

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

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

Disclosure of Remuneration

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

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

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

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

In respect of the financial year 2009-10

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

In respect of the financial year 2010-11

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

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

(16) Termination Benefits

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

(17) Retirement Benefits

Under International Accounting Standards (IAS) 19 Employee Benefits, certain disclosures are required in the Authority's accounts. The reporting standard requires specific entries to the Balance Sheet and Income and Expenditure Account relating to the net asset / liability recognised in relation to the Authority's share and demands (actual and future) of the Berkshire Pension Fund.

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme administered by The Royal Borough of Windsor and Maidenhead for the Royal County of Berkshire Pension Fund. This is a defined benefit scheme, where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The date of the last actuarial report received by the Council was the 31st March 2011.

IAS 19 requires the Authority to recognise the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following Transactions have been made to the Income and Expenditure Account, in the net cost of services and the financing and investment income and expenditure lines.

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

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

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

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

Assets and Liabilities in relation to retirement benefits

The net pensions to be recognised are made up of two main elements: Liabilities, the retirement benefits that have been promised under the formal terms of a pension scheme. These liabilities are measured on an actuarial basis, estimating the future cash flows that will arise from the liabilities discounted to present values.

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

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

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

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

The actual return on scheme assets in the year was £12,266k (for 2009/10 (£41,307k)).

Scheme History

The underlying assets and liabilities for retirement benefits attributable to the Authority (including a percentage of the Berkshire County Council pension fund) at 31 March 2011 are as follows,

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

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

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

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

The main assumptions used in their calculations are listed below:

Principal Assumptions used by the Actuary	2009/10	2010/11
Equity Investments	7.9%	7.8%
Bonds	5.5%	5.5%
Gilts	4.5%	4.4%
Property	6.0%	5.9%
Cash	3.0%	3.0%
Alternative assets	5.0%	5.0%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.3	22.7
Women	24.3	25.4
Longevity at 65 for future pensioners:		
Men	22.2	24.8
Women	25.3	27.4
Rate of Inflation	3.9%	3.5%
CPI increase	n/a	2.7%
Rate of increase in Salaries	5.4%	4.8%
Rate of increase in Pensions	3.9%	2.7%
Rate of discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

Assets held by the whole fund and analysed in terms of the investments in which they are held as at 31st March 2011 can be summarised as:

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

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

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

(18) Superannuation Costs

In 2010/11 the Council paid an employer's contribution of £7.81m. This provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary, it is based on triennial actuarial valuations. Under the Scheme Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. In addition, the Council is responsible for all early releases of benefit payments, in 2010/11 these amounted to £0.446m.

Teachers Pension Scheme

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

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

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

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

(19) Related Party Transactions

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

The list below represents the Council's material transactions over £100k with related parties during the financial year.

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

Council members have a declared an interest in the following organisations,

**The Corn Exchange Trust,
The Greenham Common community Trust,
The Sovereign Housing associaition,
The Thames Valley Police Authority,
Vodafone LtD,
West Berkshire Mencap,
Royal Berkshire Fire and Rescue Authority,
Reading Borough council,
Newbury Town Council.**

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

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

This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest. The Council has prepared this disclosure in accordance with its current interpretation and understanding of IAS 24 and its applicability to the public sector utilising current advice and guidance.

Central Government has effective control over the general operations of the 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).

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

(20) Auditors Fees

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

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

(21) Private Finance Initiative

The Council entered into a PFI contract with Veolia ES West Berkshire Ltd in March 2008 for the provision of waste collection and disposal services. The total cost of the contract is estimated at approximately £520 million over its life and is due to run for 25 years until 2033.

The contract will include the provision of an integrated waste management facility on land owned by West Berkshire Council. This facility will be treated as an asset on the council's Balance Sheet, but it is not due to be completed until 2012, so the asset will not be recognised in our statements until 2011/12 and capital payments will not commence until the financial year 2012/13. All payments made to Veolia in 2010/11 therefore related to the provision of waste collection and disposal services.

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

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

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

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

(22) Building Control Account

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

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

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

(23) Capital Expenditure and Capital Financing

Property, Plant and Equipment

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

A proportion of these properties have been revalued as at 1st April 2010 by Amanda Dennis Member of the Royal Institution of Chartered Surveyors, (the Asset Development Officer), in accordance with the Code of Practice issued by CIPFA and the Statement of Asset Valuation Principles & Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Capital Expenditure

The total capital expenditure for the year was £49,233,719.

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

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

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

Capital Assets

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

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

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

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

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

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

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

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

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

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

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

<u>Movement of Property, Plant and Equipment 2010/2011</u>							
	Other		Infrastruct	Communi	Investme	Assets	
	Land &	Plant &	ure	ty	nt	held	
	Buildings	Equipme	Assets	Assets	propertie	for sale	TOTAL
	£000's	nt	£000's	£000's	s	£000's	£000's
Valued at Current value							
Gross Book Value @ 01/04/10	328,060	25,022	147,981	1,127	10,364	800	513,354
Revaluations	5,236	0	0	0	1,715	0	6,951
Impairments revaluations	(12,880)	0	0	0	0	0	(12,880)
Value @31/03/11	320,416	25,022	147,981	1,127	12,079	800	507,425
Reclassifications	(142)	0	0	0	(106)	248	0
Additions	5,448	1,866	8,875	476	327	0	16,992
Disposals	(623)	0	0	0	0	(800)	(1,423)
Gross Book Value @ 31/03/11	325,099	26,888	156,856	1,603	12,300	248	522,994
Depreciation @ 31/03/10	(32,898)	(11,663)	(36,602)	(215)	0	(5)	(81,383)
Depreciation charged to services	(12,819)	(2,840)	(4,283)	(22)	0	(6)	(19,970)
Depreciation on revalued assets	8,267	0	0	0	0	0	8,267
Reclassifications	19	0	0	0	0	(19)	0
Depreciation on disposal	(16)	0	0	0	0	5	(11)
Balance @ 31/03/11	(37,447)	(14,503)	(40,885)	(237)	0	(25)	(93,097)
Net Book Value @ 31/03/11	287,652	12,385	115,971	1,366	12,300	223	429,897
Revaluation reserve	(44,190)	0	0	(11)	(4,208)	0	(48,409)

Assets under Construction

Opening Balance 31/03/10	8,007	0	532	0	14	0	8,553
Movement in year	9,779		73		(14)	0	9,838
Assets under construction	17,786	0	605	0	0	0	18,391

Comparative Movements in 2009/10

Movement of Property, Plant and Equipment 2009/2010

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

Movement in year	(2,601)	266	14	0	(2,321)		
Assets under construction	8,007	0	532	0	14	0	8,553

Leased Assets

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

The amount paid under these arrangements in 2010/11 was £775K (2009/10 £832k).

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

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

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

Investment Properties

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

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

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

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

The following table summarises the movement in the fair value of investment properties over the year.

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

(25) Long Term Debtors

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

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

(26) Inventory and Work in Progress

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

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

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

(27) Debtors

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

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

(28) Cash and Cash Equivalents

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

31/03/2010 £000	31/03/2011 £'000
----------------------------	-----------------------------

1,230	Cash held by the Authority	1,281
-3,949	Bank current accounts	-3,786
6,879	Short Term Deposits with Building Societies	4,385
<u>4,160</u>	<u>Total</u>	<u>1,880</u>

(29) Assets Held for Sale

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

(30) Short Term Borrowing

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

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

(31) Creditors

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

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

(32) Provisions

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

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

	Balance 31/03/10 £000's	Receipts In Year £000's	Payments in Year £000's	Balance 31/03/11 £000's
-	54	9	0	63
-	76	1,114	(76)	1,114
-	0	134	0	134

Total Provisions	130	1,257	(76)	1,311
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(33) Long Term Borrowing

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

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

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

(34) Investments

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

At 31st March 2011 there were no temporary investments.

(35) Long Term Investments

As at 31 March 2011 there were no Long Term Investments

(36) Unapplied Capital Grants and Contributions

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

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

(37) Deferred Credits

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

(38) Capital Receipts Unapplied

Capital Receipts Unapplied	General Fund £000's
-	

Opening Balance	606
Capital receipts received in year	1,268
Capital receipts used for financing	(1,854)
Pooling of Capital receipts	0
Balance as at 31 March 2011	20
Net Movement in year	586

(39) Reserves and Balances

Usable

The authorities' usable reserves are made up as follows:

31 Mar 09 £000	31 Mar 10 £000		31 Mar 11 £000
39	26	Deferred Credit	19
593	606	Usable Capital Receipt	20
55,035	42,049	Capital Reserves	37,360

2,256	1,213	Working balances	777
6,841	7,117	General Fund	7,801
16,552	17,575	Earmarked reserves	15,386
<u>81,316</u>	<u>68,586</u>		<u>61,363</u>

Deferred Credit

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

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

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

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

Schools Balances: If schools under spend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31st March 2011 Schools held total balances of £7.145m, of which £4.484m was revenue and £2,661m was capital.

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

This figure does not include balances held by former grant maintained (GM) schools (3 secondary and 1 primary), which are not held in the Council's bank account and therefore not shown on the Balance Sheet.

West Berkshire's Schools Forum has set a recommended maximum limit for balances on schools' delegated budgets of 8% Primary, Special, Nursery and 5% Secondary of the annual budget or £20,000 (whichever is the greater). In line with the Scheme for Financing Schools, schools with balances in excess of these limits, have been asked to explain the purposes for which their balances have been earmarked. 17 schools have closed with an excess balance (totalling £0.276m) compared to 31 schools the previous year (totalling £0.848m). The Schools forum will consider explanations from schools at their July 2011 meeting and any schools retaining an excess balance outside permitted uses will have the excess balance clawed back.

Special Expenses: holds the balances for the Closed Church Yards and Hungerford Town Footway Lighting Accounts. Precepts are raised to offset the costs of maintaining these accounts.

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

Self Insurance Fund: This Fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The Fund is used to pay the first £250,000 of any property claim and the first £100,000 of other claims. External insurance covers the balance of claims.

Long Term Commitment: these reserves are mainly to do with commuted sums given to the Council from developers to maintain open spaces and playgrounds over a period of time. Also included are reserves for Planning Development and Building maintenance. The significant decrease in 10/11 related to moving sums to the Capital Adjustment Account in respect of capital financing.

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

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

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

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

(40) Unusable Reserves

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

Accumulated Absence Account: This account shows the differences that would arise on the General fund Balance from accruing compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

The amounts will change year on year depending on how much leave employees still have to take.

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

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

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

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

Capital Adjustment Account: This account holds the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of assets under statutory provisions. The account is debited with the cost of 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 April 2007, the date that the revaluation reserve was created to hold such gains.

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

Pension Reserve: The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provision. Post employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require

benefits earned to be financed as the Authority makes employer’s contributions to pension funds or eventually pay any pensions for which it is directly responsible. See note 17 for further information.

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

2009/10 £000		2010/11 £000
0	Balance at 1 April	(681)
	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	322
<u>(681)</u>		<u>322</u>
<u>(681)</u>	Balance 31 March	<u>(359)</u>

(41) Contingent Liabilities

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

(42) Contingent Assets

There are no Contingent Assets.

(43) Post Balance Sheet Events

There are no known post Balance Sheet events.

(44) Other Government Grants

These Government Grants form part of the Cash Flow Statement.

	2010/11 £000's
Learning and Skills Council	13,990
Standards Fund Grant	14,991
Concessionary Fares	223
Private Finance Initiative	2,312

Council Tax Benefit	8,150
Social Care Reform	594
Drug Action	96
Contact Point	30
Under Fives Free Milk	100
Education Grants	672
Sure Start	4,244
Asylum Seekers	473
Youth Offending	221
Teacher Recruitment	106
Think Family	358
Other	637
Total Other Government Grants	47,197

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

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

(46) Cash flow Reconciliation to Balance Sheet

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

(47) Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring

fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2010. The DSG allocation is based on the number of pupils recorded in the January school census.

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

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

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

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

(48) Trust Funds

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

	Value of Fund	Value of Fund
	£ 000'S	£ 000'S
	2009/10	2010/11
	40	0

(49) Financial Instruments

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

Amortised Cost

Most financial instruments (whether borrowing or investment) are valued in 2010/11 on an amortised costs basis using the effective interest rate (EIR) method.

Fair Value

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

Compliance

This authority has complied with the following: -

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

TYPES OF FINANCIAL INSTRUMENTS

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

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

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

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Table 2 - Financial Instrument Gains/Losses 2010/11

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

Note:

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

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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

Methods and Assumptions in valuation technique

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

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate. (Premature repayment rates are not used because they include a margin which represents the lender's profit as a result of rescheduling the loan which is not part of the fair value).

For PWLB debt, the fair value is as advised in the PWLB Residual Maturity Analysis statement as at 31st March 2011. For these loans fair value is more than the carrying amount because the interest rate payable for many of them is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

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

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

Client to expand rows as appropriate

TABLE 3 - FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

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

Note:

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

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

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

Client to expand rows as appropriate

TABLE 4 - FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

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

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

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

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

- **Overall Procedures for Managing Risk**

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

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

The prudential indicators and the investment strategy are reported and approved at or before the Council's annual Council Tax setting budget. Actual performance is also reported annually to Members.

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

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. According to its current Treasury Management Policies, the Council only invested funds in 2010/11 for periods of less than 13 months with the following types of institutions:

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

- Other local authorities

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

Debtors

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

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

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

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

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and the Public Works Loans Board (PWLB) for any purpose relevant to its statutory functions or for the purpose of the prudent management of its financial affairs. As a result there is no significant risk that the Council will be unable to raise finance to 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 Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

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

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

TABLE 6 - LIQUIDITY AND REFINANCING RISK

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

Note:

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

Market Risk

Interest rate risk

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

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

- Decreases in interest rates will adversely affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will adversely affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

During the Financial Year and at 31st March 2011, the Council had no financial loan instruments with variable rates of interest.

Price risk

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

Foreign exchange risk

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

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

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

(51) Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the 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.

Directorate Expenditure
For the year ended 31 March 2010

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

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

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

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

Directorate Expenditure

For the year ended 31 March 2011

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

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

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

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

The Collection Fund Income and Expenditure Account

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

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

Notes to the Collection Fund

(1) Council Tax

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

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

(2) National Non-Domestic Rates

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

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

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

(3) Government Grants

The following grants have been credited to the collection fund:

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

(4) Precepts & Demands

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

(5) Transfer to the General Fund

This represents a transfer to the general fund in respect of the estimated surplus on the collection fund as at 31st March 2011. The deficit is shared between the precepting bodies, West Berkshire Council received £375,000, the Thames Valley Police £44,806 and the Fire Authority £16,324.

(6) Provision For Non Payment of Council Tax

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

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

(7) Provision for non-payment of NNDR

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

8) Council Tax Base

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

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

Annual Governance Statement

1 Scope of responsibility

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

2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which West Berkshire Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables West Berkshire Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

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

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

4 Review of effectiveness

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

within West Berkshire Council who have responsibility for the development and maintenance of the governance environment.

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

- The work of the Finance and Governance Group
- The work of the Risk Strategy Group and the Risk Management framework.
- The annual assurance statements produced by all Heads of Service
- The work of the Governance and Audit Committee
- The work of the Standards Committee
- The work of Internal Audit
- The work of the Overview and Scrutiny Commission.

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

5 Significant governance issues identified in the AGS for 2009-10

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

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

5.2 The following measures were implemented during 2010-11:

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

6 Significant Governance Issues identified in 2010-11

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

- Service resilience – may lead to failures in critical systems

- Judicial review / legal challenge

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

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

Signed:

Nick Carter – Chief Executive

Graham Jones – Leader of the Council

Auditors Report

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- ◆ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, for the purposes of this requirement for the 2010/11 financial year that officer is the Head of Finance.

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

- ◆ To approve the Statement of Accounts.

The Head of Finance Responsibilities

The Head of Finance is responsible for the preparation of the authority's statement of accounts. This is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year (ended 31st March 2011).

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

- ◆ selected suitable accounting policies and then applied them consistently;

- ◆ made judgements and estimates that were reasonable and prudent;

- ◆ complied with the local authority SORP.

The Head of Finance has also:

- ◆ kept proper accounting records which were up to date;

- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

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



Andy Walker; Head of Finance

