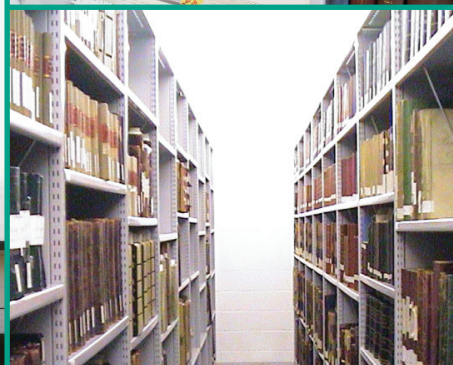


# Financial Statement of Accounts

# 2011 - 12



West Berkshire  
COUNCIL

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## Introduction to West Berkshire

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

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

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

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



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

## Explanatory Foreword

### Introduction

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

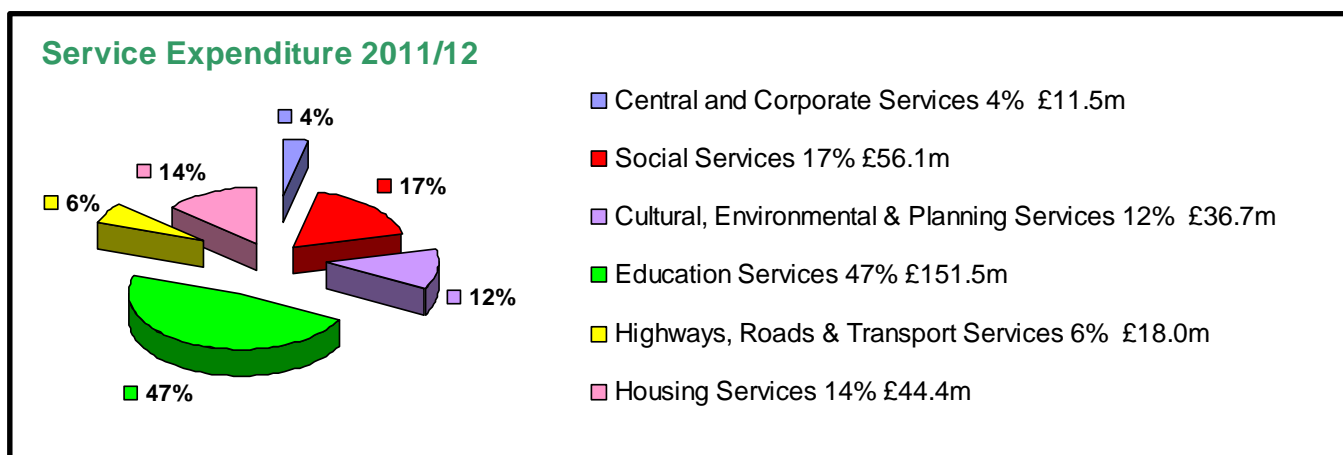
The financial statements contain a variety of tables and graphs, though the core items are:

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

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

### Summary of the 2011/12 financial year

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



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

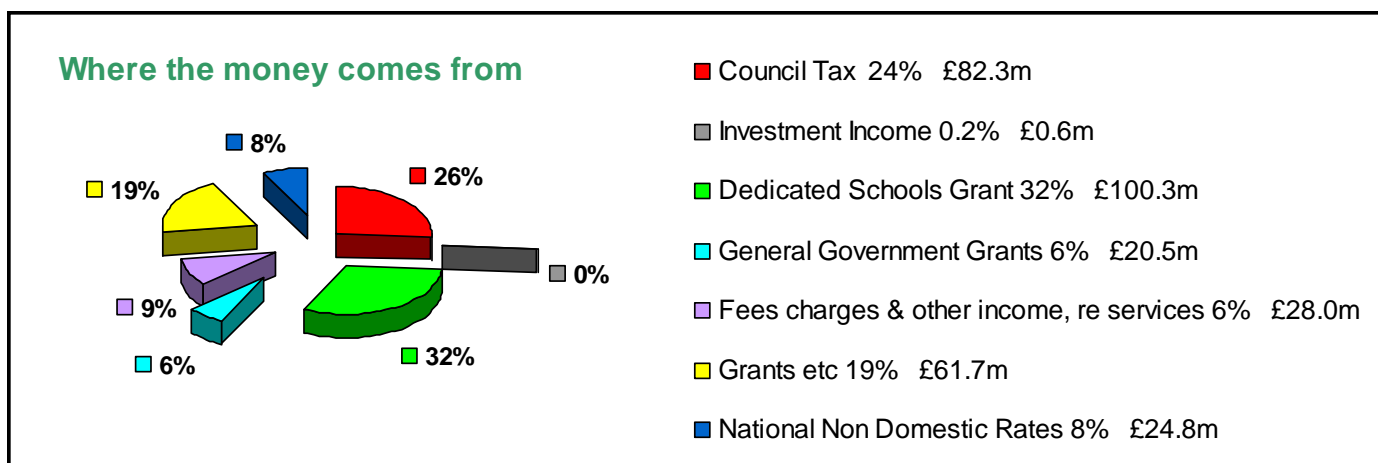
By the end of the financial year, through a variety of management actions within the Adult Social Care service and across all Council services, the overall overspend was turned into an under spend. The Council was able to contribute £400k to a fund for future redundancy costs which will result, from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

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

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

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

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



The pension fund deficit is currently £155m. This amount is written out through the accounts so has no meaningful impact on the Council's current operation, though it clearly reduces the Council's 'net worth' on the Balance Sheet. The employer's contributions to the pension scheme remained fixed into 2012/13, and the latest changes to the Local Government Pension Scheme are currently being consulted upon with employers and union employees, with increases to the pensionable age and to higher earner employee contributions to the pension scheme.

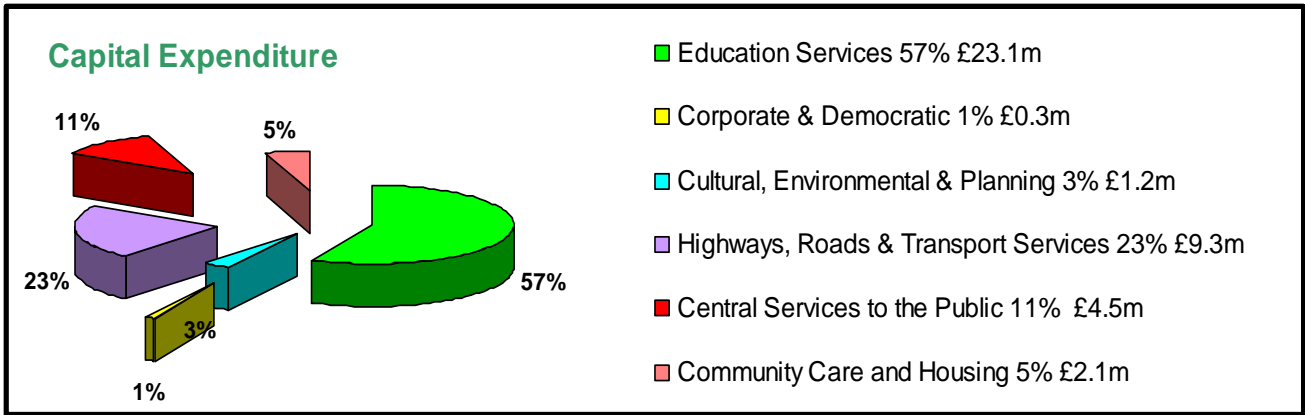
In line with new accounting requirements, the Berkshire County archive and the West Berkshire Museum Collections are recognised as heritage assets of the Council.

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

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

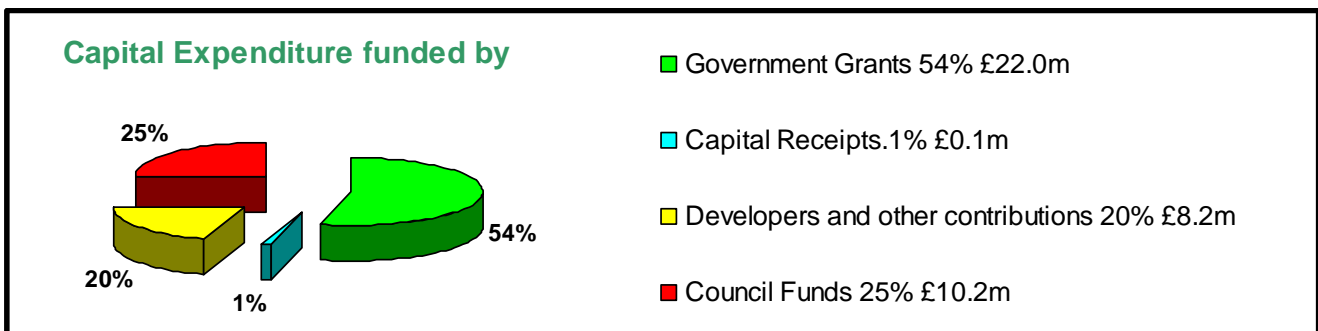
The Council needs to invest a certain amount of capital each year to make sure that its assets (e.g. school buildings, roads, leisure centres) remain fit for purpose and in a good state of repair.

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



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

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



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

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

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

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

The Council also needs to take out short term loans to cover its cash flow needs. Short term loans are normally taken out for periods of less than one month and the cost of this borrowing is more than offset by the interest earned by investment of the Council's surplus cash. The Council had no outstanding short term loans at the 31<sup>st</sup> March 2012.

The Council maintains a revenue budget of over £6m for the provision for repayment of borrowings to fund the current and previous capital programmes. This amount will grow as a percentage of the Council's budget in the coming years, though at a relatively slow level due to the reduction in the Council funded element of the capital strategy.

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

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

### Further information

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

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Market Street, Newbury, RG14 5LD

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

(01635) 519 433

## Annual Governance Statement

### 1 Scope of responsibility

- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 West Berkshire Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- 1.4 This statement explains how West Berkshire Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011.

### 2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which West Berkshire Council is directed and controlled and its activities through which it engages with, leads and accounts to the community. It enables West Berkshire Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

### 3 The governance framework

- 3.1 The key elements of the systems and processes that comprise West Berkshire Council's governance arrangements are set out below and include arrangements for:
  - Identifying and communicating West Berkshire Council's vision of its purpose and intended outcomes for citizens and service users
  - Reviewing West Berkshire Council's vision and its implications for West Berkshire Council's governance arrangements
  - Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's objectives and ensuring that they represent the best use of resources
  - Defining and documenting the roles and responsibilities of the executive, non-



executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, the scheme of delegation, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)"
- The Governance and Audit Committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities"
- The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Conducting an annual review of the effectiveness of Internal Audit
- Whistle-blowing and for receiving and investigating complaints from the public
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

#### **4 Review of effectiveness**

- 4.1 West Berkshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within West Berkshire Council who have responsibility for the development and maintenance of the governance environment.
- 4.2 The following process has been applied in maintaining and reviewing the effectiveness of the governance framework, and includes
- The work of the Finance and Governance Group
  - The work of the Risk Strategy Group and the Risk Management framework
  - The annual assurance statements produced by all Heads of Service
  - The work of the Governance and Audit Committee
  - The work of the Standards Committee
  - The work of Internal Audit
  - The work of the Overview and Scrutiny Commission.
- 4.3 We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Governance and Audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### **5 Significant governance issues identified in the AGS for 2010-11**

- 5.1 The following is an outline of the significant governance issues that were identified in the 2010-11 AGS.
- Service resilience – may lead to failures in key systems

5.2 The following measures were implemented during 2011-12:

- Heads of Service considered service resilience in their ongoing review of service risk.

## 6 Significant Governance Issues identified in 2011-12

6.1 The following is an outline of the significant governance issues that have been identified in preparing the 2011-12 AGS.

- Service resilience – may lead to failures in key systems. This remains a key risk for the Council, and further work needs to be done to mitigate the risk.
- Judicial Review - Challenges have been made in the Courts to the way the Council proposes to deliver certain services in future, and there remains a risk of Judicial Review in respect of certain changes

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

- The Risk Strategy Group will review, with Heads of Service, their proposals for mitigating the risk to service resilience posed by ongoing cost reductions.
- The Head of Strategic Support will review the Council's procedures for consulting effectively and consistently on proposed changes to services to minimise the risk of any challenge being successful.

Signed:



Nick Carter – Chief Executive



Graham Jones – Leader of the Council

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

We have audited the financial statements of West Berkshire Council for the year ended 31<sup>st</sup> March 2012 on pages 15 to 69. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

### **Respective responsibilities of the Head of Finance and auditor**

As explained more fully in the Statement of the Head of Finance's Responsibilities, set out on page 13, the Head of Finance is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- Give a true and fair view of the financial position of the Authority as at 31<sup>st</sup> March 2012 and of the Authority's expenditure and income for the year then ended; and
- Have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

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

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

#### Authority's responsibilities

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

#### Auditor's responsibilities

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

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

#### Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- Securing financial resilience; and
- Challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2012.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, West Berkshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31<sup>st</sup> March 2012.

### **Certificate**

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

**Andrew Sayers**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

20 September 2012

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, for the purposes of this requirement for the 2011/12 financial year that officer is the Head of Finance
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts.

### The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Authority's statement of accounts. This is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31<sup>st</sup> March 2012).

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

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the local authority Code.

The Head of Finance has also:

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

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



Andy Walker  
Head of Finance

10<sup>th</sup> September 2012

The primary statements included in these accounts are explained below:

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

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

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

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

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

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

## Comprehensive Income and Expenditure Account

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



## Balance Sheet

2010/11 £000	Balance Sheet Table 07	Note	2011/12	
			£000	£000
	<b>Property, plant and Equipment</b>			
194,962	Buildings		216,276	
92,690	Land		81,641	
		<b>15a</b>		297,917
129,722	Other	<b>15a</b>		131,101
12,300	Investment properties	<b>16b</b>		12,496
18,391	Assets Under Construction	<b>15a</b>		11,205
<b>448,065</b>	<b>Total Property, Plant and Equipment</b>			<b>452,719</b>
390	Long Term Debtors	<b>19b</b>		264
<b>448,455</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>452,983</b>
	<b>Current Assets</b>			
0	Short term investments	<b>12a</b>	3,000	
63	Inventories	<b>18a</b>	29	
16,970	Short term debtors	<b>19b</b>	15,166	
1,880	Cash and cash equivalents	<b>(20)</b>	0	
223	Assets held for sale	<b>15a</b>	1,307	
<b>19,136</b>	<b>TOTAL CURRENT ASSETS</b>			19,502
<b>467,591</b>	<b>TOTAL ASSETS</b>			<b>472,485</b>
	<b>Current Liabilities</b>			
0	Cash and cash equivalents	<b>(20)</b>	(653)	
(8,625)	Short term borrowing	<b>12b</b>	(3,251)	
(43,188)	Short term Creditors	<b>(21)</b>	(38,338)	
<b>(51,813)</b>	<b>TOTAL CURRENT LIABILITIES</b>			<b>(42,242)</b>
<b>415,778</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>430,243</b>
	<b>Long term Liabilities</b>			
(1,311)	Provisions	<b>(22)</b>	(1,140)	
(914)	Contributions deferred account		(1,268)	
(96,074)	Pension liability	<b>9e</b>	(154,965)	
(59,701)	Borrowings PWLB	<b>13c</b>	(87,649)	
(564)	Other long term liabilities	<b>17b</b>	(24,988)	
<b>(158,564)</b>				<b>(270,010)</b>
<b>257,214</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>160,233</b>
7,801	General Fund	<b>24f</b>	7,780	
777	Working Balances	<b>24f</b>	1,378	
15,386	Earmarked Reserves	<b>24f</b>	11,721	
19	Deferred Credit		8	
20	Usable Capital Receipt		0	
37,360	Capital Reserves	<b>(26)</b>	28,928	
	<b>Usable Reserves</b>	<b>24a</b>		49,815
195,851	<b>Unusable reserves</b>	<b>(25)</b>		110,418
<b>257,214</b>	<b>TOTAL RESERVES</b>			<b>160,233</b>

## Movement in Reserves Statement

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

## Cash Flow Statement

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

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**(1) Statement of Accounting Policies**

**I. General principles**

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

The purpose of the Statement of Accounting Policies is to explain the basis of measurement that has been used in the preparation of the financial statements. The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end 31<sup>st</sup> March 2012.

The Financial Statements for 2011/12 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) and where appropriate the International Accounting Standards (IAS). The Accounting convention adopted is principally historical cost modified by fair value for particular categories of assets and liabilities.

There are no instances in the Statement of Accounts where the fundamental accounting concepts have not been followed. The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. There are no items in the Authority's Balance Sheet at 31<sup>st</sup> March 2012 for which there is believed to be a significant risk of material adjustment in the forthcoming financial year.

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

**II. Post Balance Sheet Events**

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

**III. Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- Supplies are recorded as expenditure when they are consumed, where there is a gap between the date supplies are received and their consumption; they are carried as inventory on the Balance Sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- Interest payable on borrowing and receivable on investment is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised in the accounts but cash has not been received nor paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.

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

#### IV. Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council's policy is to include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

#### V. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, both capital and revenue, and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution. There must also be reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is moved to the relevant service revenue account.

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

#### VI. Charges to Revenue for non current assets

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

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

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

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the general fund balance, by way of an adjusting transaction with the Capital Adjustment Account.

#### VII. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the general fund

balance on the Statement of Movement in Reserves, so there is no impact on the level of council tax.

### VIII. Employee Benefits

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

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

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

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

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

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

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

- The liabilities of the Berkshire pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.
- Liabilities are discounted to their value at current prices using a discount rate. (The discount rate is the yield on the Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond index, with an adjustment to reflect the liabilities relative to the duration of the index.)
- The assets of the Berkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.
- The change in the net pensions liability is analysed into 7 components:
  - 1) Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - 2) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years –

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

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

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

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

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

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



**IX. Overheads and Support Services**

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

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

**X. Investment Property**

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

**XI. Heritage assets**

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

**XII. Property, plant and equipment (PPE)**

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

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

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

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

Non-current assets are classified into the groupings are shown in the Balance Sheet under the following headings:

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

Assets included in the Balance Sheet at fair value are re-valued as a minimum every five years, except for Investment properties which are re-valued annually. From 2007/08 all

increases in valuations are matched by credits to the revaluation reserve as unrealised gains.

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

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

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

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

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

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

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

Depreciation is calculated on the following basis:

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

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

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

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

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

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

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

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

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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

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

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

### **XIII. Inventories and long term contracts**

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

### **XIV. Provisions, contingent liabilities and assets**

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

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

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

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

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

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

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until April 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

#### **XVI. Financial Instruments**

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

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

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

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

**Provisions for bad debts** have been established in respect of general debtors in accordance with the CIPFA code of practice. The level of the provision has been set to provide adequate cover based upon an aged debt profile as at 31<sup>st</sup> March 2012.

**Borrowings:** The loan debt held by Berkshire County Council (BCC) when it was abolished due to local government reorganisation as at the 31<sup>st</sup> March 1998 amounted to approximately £220m. The portfolio of debt consisted entirely of Public Works Loans Board (PWLB) loans, of which some £40m was deemed to be West Berkshire's liability as part of the disaggregation process. At that time it was agreed by all the Berkshire authorities that the total debt would be administered by West Berkshire Council as part of their role as Designated Authority overseeing the closure of the BCC accounts. The Prudential Code presented the opportunity for this Council and other Berkshire authorities to take back the direct management of the remaining part of the ex BCC loan debt. The transfer took place with effect from 1<sup>st</sup> December 2005 and at that time £28.92m of Public Works Loan Board debt was transferred to West Berkshire Council.

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

**Investments** are shown in the Balance Sheet at cost.

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

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

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

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

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

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

**Capital Financing:** The Prudential Code Framework places the emphasis for capital expenditure on affordability. Local authorities themselves decide how much they can afford to borrow, the costs of this borrowing being met from the revenue budget.

Wherever possible the Council aims to fund any necessary capital investment from external sources of funding i.e. grants, developers' contributions and capital receipts. The level of investment required over and above the level of external funding available must then be weighed up against the revenue cost of repaying loans to fund capital expenditure from external sources. In establishing its Prudential Framework, the Council determined that it could support a capital programme of £9,608k (2010/11: £15,029k).

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

**Instruments Entered into Before 1<sup>st</sup> April 2006:** The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed.

## **XVII. Private Finance Initiative (PFI)**

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

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

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

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

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

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

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

**XVIII. Leases**

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

**XIX. Reserves**

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

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

**XX. VAT**

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

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

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

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

**(3) Critical judgements**

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

The following critical judgement was noted:

There is a high degree of uncertainty concerning the future levels of local Government funding. However the Council does not believe that this uncertainty is sufficient to highlight that the assets of the Council might be impaired as a result of a need to close facilities and reduce the level of service provision.

**(4) Prior Year Adjustments**                      There were no prior period adjustments.

**(5) Post Balance Sheet Events**                      There are no known post balance sheet events.

**(6) Trading operations**

**6a** West Berkshire Council operates a 'buy-back' scheme for schools in West Berkshire. Schools are able to procure services from the open market; some schools chose to buy services from the Council. The services provided by the Council include property, payroll, HR, finance, ICT, health & safety, insurance and tree management. These are classified as internal trading accounts.

The Council also has some external trading accounts primarily to do with leased car insurance and commercial properties. The total income, expenditure and (surplus) / deficit are shown below.

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



**6b Building Control Account:** The Council has adopted the Local Government Association's Model Scheme as the basis of its Scheme of Charges under the Building (Local Authority) Regulations 1998. These regulations require the disclosure of information regarding the setting of charges for the administration of the Building Control function.

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

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

**(7) Income**

**7a** The income from Council tax shown on the Comprehensive Income and Expenditure Account is the amount that West Berkshire received net of major preceptors. Any amounts owing to or from major preceptors is shown in the debtors or creditors.

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

## 7b Principal grant income

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

## 7c Other Government grant income

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

These Government Grants form part of the Cash Flow Statement.

**(8) Expenditure**

- 8a Non distributed costs** in the net cost of services of the Comprehensive Income and Expenditure Account are primarily due to impairment costs, a provision for liability and a credit for pension curtailments.
- 8b Net cost of services** includes depreciation charges for the use of Property, Plant and Equipment (PPE), impairment costs associated with PPE, Government Grants deferred, IAS 19 pension costs and movements in Reserves. These are subsequently reversed, so that the net effect on the amount to be met from Government Grants and local taxation is zero.
- 8c Special expenses**

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

Special Expenses	Hungerford Footway Lighting		Kintbury St Mary's Churchyard		Shaw St Mary's Churchyard		Theale Holy Trinity Churchyard	
	31/03/11	31/03/12	31/03/11	31/03/12	31/03/11	31/03/12	31/03/11	31/03/12
Table 14	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance from 2010/11</b>	<b>(3.8)</b>	<b>(4.0)</b>	<b>(5.0)</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>2.5</b>	<b>(0.3)</b>	<b>(0.3)</b>
Gross Expenditure	4.1	3.7	7.8	1.2	3.7	0.9	1.1	1.2
Gross Income	0	0	0	0	0	0	0	0
Net Expenditure	4.1	3.7	7.8	1.2	3.7	0.9	1.1	1.2
Council Tax Income	(4.3)	(5.2)	(4.3)	0	(0.9)	(0.8)	(1.1)	(1.2)
Appropriation to balances	(0.2)	(1.5)	3.5	1.2	2.8	0.1	0	0
<b>Balance to 2012/13</b>	<b>(4.0)</b>	<b>(5.5)</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>2.5</b>	<b>2.6</b>	<b>(0.3)</b>	<b>(0.3)</b>

**8d Pooled services**

The pooled budget for Community Equipment was established 1<sup>st</sup> April 2004 under Section 31 of the Health Act 1999. The agreement exists between the six unitary authorities in Berkshire and the Primary Care Trusts covering the same geographical area. The pooled budget is administered by the lead authority Slough Borough Council. The aim of the partnership is to improve the integration of health and social care community equipment services to meet the needs of users.

Pooled Services	Gross Expenditure £000	Gross Income £000	WBC contribution £000
Table 15			
Financial year 2010/11	2,808	(2,808)	258
Financial year 2011/12	2,991	(2,810)	286

**8e** Parish Council Precepts

Parish councils are required to precept on the Council, which in turn precepts on the collection fund. The total precept is £3,296k. There was also a special expenses precept on the parishes concerning closed church yards of £7k, giving net £3,289k figure as the precepts to parishes.

**8f** Publicity

Set out below, under the requirements of section 5(l) of the Local Government Act 1986, is the Council's and school spending on publicity. Publicity covers all forms of communication with the public for example it includes advertisements for job vacancies as well as press notices. The expenditure is included in the Income and Expenditure Account as part of the Net Cost of Services.

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

**(9)** Employee benefits**9a** Exit packages

The Authority terminated the contracts of a number of employees in 2011/12. These officers were from all areas in the Council and were made redundant as part of the Authority's restructuring of its services.

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

9b Remuneration Benefits

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

Remuneration Bandings	Schools				Council Staff				TOTALS			
	Number of employees		Left during year		Number of employees		Left during year		Number of employees		Left during year	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Table 18												
£50k-£55k	45	36	2	0	28	22	1	1	73	58	3	1
£55k-£59k	15	17	0	2	26	22	1	1	41	39	1	3
£60k-£64k	19	19	2	0	9	15	0	0	28	34	2	0
£65k-£69k	13	7	1	0	9	3	1	0	22	10	2	0
£70k-£74k	4	0	1	0	5	5	0	2	9	5	1	2
£75k-£79k	2	4	0	0	3	3	1	0	5	7	1	0
£80k-£84k	1	0	0	0	7	5	1	1	8	5	1	1
£85k-£89k	2	1	0	0	2	2	0	1	4	3	0	1
£90k-£94k	1	1	0	0	2	2	2	1	3	3	2	1
£95k-£99k	1	0	0	0	2	3	0	1	3	3	0	1
£100k-£104k	1	1	1	0	2	0	1	0	3	1	2	0
£105k-£109k	0	0	0	0	3	1	2	0	3	1	2	0
£110k-£114k	0	0	0	0	2	0	2	0	2	0	2	0
£115k-£119k	0	0	0	0	1	2	1	0	1	2	1	0
£120k-£124k	0	0	0	0	0	0	0	0	0	0	0	0
£125k-£129k	0	0	0	0	1	0	1	0	1	0	1	0
£130k-£134k	0	0	0	0	0	0	0	0	0	0	0	0
£135k-£139k	0	0	0	0	1	1	0	0	1	1	0	0
£140k-£144k	0	0	0	0	1	0	1	0	1	0	1	0
£145k-£149k	0	0	0	0	0	0	0	0	0	0	0	0
£150k-£154k	0	0	0	0	0	0	0	0	0	0	0	0
£155k-£159k	1	0	0	0	0	0	0	0	1	0	0	0
£160k-£164k	0	0	0	0	0	0	0	0	0	0	0	0
£165k-£169k	0	0	0	0	0	1	0	1	0	1	0	1
£170k-£174k	0	0	0	0	0	0	0	0	0	0	0	0
£175k-£180k	0	0	0	0	0	1	0	1	0	1	0	1
	<u>105</u>	<u>86</u>	<u>7</u>	<u>2</u>	<u>104</u>	<u>88</u>	<u>15</u>	<u>10</u>	<u>209</u>	<u>174</u>	<u>22</u>	<u>12</u>

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

## Notes to the Core Financial Statements

The tables below disclose the salary information of those individuals who are on the Council's Corporate Board, as well as those individuals whose salary is over £150k.

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

### Note

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

### 9c Retirement Benefits

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

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

The Authority participates in the Local Government Pension Scheme administered by The Royal Borough of Windsor and Maidenhead for the Royal County of Berkshire Pension Fund. This is a defined benefit scheme, where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The date of the last actuarial report received by the Council was the 31<sup>st</sup> March 2012. IAS 19 requires the Authority to recognise the cost of retirement benefits in the Net Cost of Services when

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

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

In addition to the recognised gains and losses above, actuarial loss of £54,979k (2010/11 gain of £47,739k) are included in the other Comprehensive Income and Expenditure line in the Income and Expenditure Account.

**9d Assets and Liabilities in relation to retirement benefits:** The net pensions to be recognised are made up of two main elements.

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

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

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

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual loss on scheme assets in the year was £461k (2010/11: a return of £12,266k).

**9e Scheme History:** The underlying assets and liabilities for retirement benefits attributable to the Authority (including a percentage of the Berkshire County Council pension fund) at 31<sup>st</sup> March 2012 are as follows:

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

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

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



## Notes to the Core Financial Statements

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

2010/11	Principal actuarial assumptions	Table 24	2011/12
7.8%	Equity Investments		6.7%
5.5%	Bonds		4.6%
5.9%	Property		4.8%
3.0%	Cash		3.0%
5.0%	Alternative assets		5.0%
<b>Mortality assumptions</b>			
<b>Longevity at 65 for current pensioners:</b>			
22.7	Men		23.0
25.4	Women		25.6
<b>Longevity at 65 for future pensioners:</b>			
24.8	Men		25.0
27.4	Women		27.6
3.5%	Rate of Inflation		3.3%
2.7%	CPI increase		2.5%
4.8%	Rate of increase in Salaries		4.5%
2.7%	Rate of increase in Pensions		2.5%
5.5%	Rate of discounting scheme liabilities		4.6%
50.0%	Take-up of option to convert annual pension into retirement lump sum		50.0%

Assets held by the whole fund and analysed in terms of the investments in which they are held as at 31<sup>st</sup> March 2012 can be summarised as:

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

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

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

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

**9f Teacher's Pension Scheme**

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

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

The Council paid £6.1m (2010/11: £7.7m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.8% of pensionable pay. There were no contributions remaining payable at the year-end.

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

**(10) Related Party Transactions**

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

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

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

Council members have declared an interest in the following organisations:

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

The Council has had dealings with these Organisations over £100k. No Chief Officers nor their close relations or members of the same household have disclosed any declarable transactions with the Council. This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest. The Council has prepared this disclosure in accordance with its current interpretation and understanding of IAS 24 and its applicability to the public sector utilising current advice and guidance.

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

**(11) Auditors Fees**

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

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

**(12) Financial Instruments**

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

**12a Financial Instrument balances**

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

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

Notes:

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

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

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

**Total interested paid £4,164k**

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

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

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

## Notes

**Short Term Borrowing**

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

**Long Term Borrowing**

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

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

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

**Cash and Cash Equivalents**

The cash balance at 31<sup>st</sup> March 2012 represents the bank and building society deposits of £3,570k less the value of cheques issued by the Council, which were unrepresented at that date, of £4,222k.

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

**12c Short Term Investments**

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

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

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

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

Credit Risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers.

**13a Investments**

The table below summarises the nominal value of the Council's investment portfolio as at 31st March 2012 and shows that all deposits outstanding as at 31st March 2012 met the Council's credit rating criteria at that date:

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

Note

£2,372k held in call accounts at 31<sup>st</sup> March 2012 is included in the cash and cash equivalent table.

**13b Doubtful receivables**

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

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

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

**13c Liquidity Risk:** The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and the Public Works Loans Board (PWLB) for any purpose relevant to its statutory functions or for the purpose of the prudent management of its financial affairs. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

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

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

Note:

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

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

The Council's policy is to aim to keep a maximum of **50%** of its borrowings in variable rate loans. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the

budget quarterly during the year. During the Financial Year and at 31<sup>st</sup> March 2012, the Council had no financial loan instruments with variable rates of interest.

**(14) Heritage Assets**

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

**14a The Berkshire Archives**

In 1998, Berkshire County Council was abolished and succeeded by six unitary authorities. At this time West Berkshire District Council was nominated as the Archiving Authority, whilst due to the records office location, Reading Borough Council was deemed, under a service level agreement, the Host Authority.

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

**14b West Berkshire museum collections**

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

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

The current collections cover:

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



**(15) Property, Plant, Equipment (PPE) and leased assets**

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

**15a Fixed Assets**

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

## Note

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

The revaluation reserve records the unrealised revaluation gains arising since 1<sup>st</sup> April 2007. Investment properties are assets held solely to earn rentals or for capital appreciation or both, they cannot be used for operational purposes. Assets held for sale are those assets the Authority is actively trying to sell.

This Authority has four assets held for sale which are: the Control Tower at Greenham Common, Greenham House, 41 Newtown Road and Venture Fair.

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

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

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

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

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

## 15c Capital expenditure financing

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

## 15d Amenities provided by the Authority are:

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

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

**15e Capital Assets:** During the year a proportion of the Assets were revalued in line with the five year rolling programme. The one Foundation school (2010/11: three) in the district is not included in the Council's asset register but the Council is required to disclose the valuation. The fixed assets of this school are £13.9m (2011/12: £31.5m) being £11.3m for building and £2.6m for land.

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

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

**Social Care and Housing Projects**

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

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

**Highways and Transport Improvements**

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

**Other Council Projects**

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

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

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

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

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

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

### (16) Investment Properties

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

16a

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

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

16b

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

**(17) Private Finance Initiative – Padworth**

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

- 17a** The contract included provision of an integrated waste management facility, built on Council owned land at Padworth Sidings. This £25.97m facility opened on 19<sup>th</sup> October 2011, and is recognised in the Balance Sheet from this month. However, whilst capital repayments actually commence from 1<sup>st</sup> April 2013 notional capital payments have been spread over the 21 years from the month of opening to the end of the PFI contract on 30<sup>th</sup> September 2032. The future payment stream is estimated as follows:

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

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

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

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

**(18) Inventory and Work in Progress**

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

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

Contract payments		Estimated	Capital commitments Table 44	Estimated	Contract payments		Estimated
prior to	within	commitments		contract	prior to	within	commitments
01/04/10	2010/11	at 31/03/11		cost	01/04/11	2011/12	at 31/03/12
£000	£000	£000	£000	£000	£000	£000	£000
20,475	12,006	2,141	St Bartholemew's School	34,623	32,481	2,001	141
0	1,080	2,516	Trinity School new sports facilities	3,596	1,080	2,232	284
0	386	5,306	The Winchcombe School	5,692	386	4,498	808
0	241	6,584	Denefield School	6,825	241	3,998	2,586
0	1,352	77	Brookfields Special School	1,429	1,352	26	51
0	1,736	1,264	Chieveley Primary	3,000	1,736	1,067	197
0	104	1,874	Theale Green School	1,978	104	1,804	70
0	0	1,953	Kintbury St Mary's Primary	1,953	0	1,239	714
			The Downs School-Science Block	3,875	0	309	3,566
200	591	20	North Thatcham Childrens Centre	811	791	20	0
136	1,618	175	Castle School	1,929	1,754	175	0
<u>20,811</u>	<u>19,114</u>	<u>21,910</u>		<u>65,711</u>	<u>39,925</u>	<u>17,369</u>	<u>8,417</u>

**(19) Debtors**

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

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

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

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

(20) Cash and cash equivalents

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

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

Note

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

(21) Creditors

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

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



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

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

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

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

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

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

**(23) Carbon Reduction Commitment Scheme**

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

**(24) Reserves and balances**

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

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

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

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

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

**24e General Fund:** This balance represents the total general reserve that the Council holds for non-specific items and represents the total of the General Fund and the Risk Fund.

**24f Earmarked Reserves:** The amount shown for Earmarked reserves is made by a number of funds and balances where the amounts are held for specific future projects.

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

**24g Schools Balances:**

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

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

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

West Berkshire's Schools Forum has set a recommended maximum limit for balances on schools' delegated budgets of 8% Primary, Special, Nursery and 5% Secondary of the annual budget or £20k (whichever is the greater). In line with the Scheme for Financing Schools, those schools with balances in excess of these limits have been asked to explain the purposes for which their balances have been earmarked. Nineteen schools have closed with excess balances totalling £261k (2010/11: 17 schools & £276k). The Schools forum will consider explanations from schools at their July 2012 meeting and any schools retaining an excess balance outside permitted uses will have the excess balance clawed back.

- 24h Special Expenses:** holds the balances for the Closed Church Yards and Hungerford Town Footway Lighting Accounts. Precepts are raised to offset the costs of maintaining these accounts.
- 24i Supporting People Reserve:** was established to meet future reductions in the Supporting People Grant from Central Government.
- 24j Self Insurance Fund:** This Fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The Fund is used to pay the first £250k of any property claim and the first £100k of other claims. External insurance covers the balance of claims.
- 24k Long Term Commitment:** these reserves are mainly to do with commuted sums given to the Council from developers to maintain open spaces and playgrounds over a period of time. Also included are reserves for Planning Development and Building maintenance.
- 24L Ex BCC liabilities:** represents the allocation to West Berkshire Council of ex Berkshire County Council (BCC) provisions mainly relating to insurance matters.
- 24m Specific Earmarked Reserves:** these are the cumulative total of specific earmarked reserves held by the Council. These are held for a specific reason. The main items included within this are items provided for in the 2011/12 financial year to support the 2012/13 budget, funds set aside for future restructuring costs and items for specific future liabilities.
- 24n Waste Management Strategy:** The fund will be used to help meet the revenue and capital costs associated with the Council's PFI arrangement for the provision of waste collection and disposal services over the twenty five year life of the contract.

**(25) Unusable Reserves**

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

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

**25b Revaluation Reserve:** This reserve contains the gains made by the Authority arising from increases in the value of its Property Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

2010/11 £000	Revaluation Reserve Table 54	2011/12 £000
41,837	<b>Opening Balance</b>	48,409
8,625	Upward revaluations of assets	12,049
(42)	Sold assets	(139)
(306)	Impaired assets	0
0	Academy Schools removed	(3,382)
(1,705)	Depreciation in year	(1,618)
<u>48,409</u>	<b>Closing Balance</b>	<u>55,319</u>

**25c Capital Adjustment Account:** This account holds the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

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

2010/11 £000	PPE - Capital Adjustment Account Table 55	2011/12 £000
263,274	<b>Opening Balance</b>	247,970
97	Revenue contribution to capital	51
1,854	Capital receipts	111
12,513	Internally funded cap programme	20,899
1,565	Minimum Revenue Provision for loan repayment	760
15,155	Capital financing of REFCUS	9,832
(22,932)	REFCUS Assets charged	(11,981)
(19,970)	Depreciation	(18,624)
1,705	Historic cost depreciation adjustment	1,618
(1,108)	Write out asset values on disposal	(3,721)
42	Revaluation reserve re sold assets	139
(7,626)	Impaired assets	(882)
0	Academy schools removed	(33,218)
1,715	Revaluations Investment Properties	153
1,686	Principal payments	1,557
<u>247,970</u>	<b>Closing Balance</b>	<u>214,664</u>

**25d Pension Reserve:** The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provision. Post employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

**25e Collection Fund Adjustment Account:** This account shows the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £000	Collection Fund Adjustment Account Table 56	2011/12 £000
(681)	Opening Balance	(359)
322	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(629)
<u>(359)</u>	Closing Balance	<u>(988)</u>

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

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

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

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

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

(28) Cash flow Reconciliation to Balance Sheet

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

(29) Disclosure of Deployment of Dedicated Schools Grant

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

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

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

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

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

### (30) Adjustments between Accounting Basis and Funding Basis under Regulation

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

- 2011/12 Table page year end 31<sup>st</sup> March 2012 page 63
- 2010/11 Table page year end 31<sup>st</sup> March 2011 page 64

### (31) Amounts reported for Resource Allocation Decisions

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

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

- 2011/12 Table page year end 31<sup>st</sup> March 2012 page 65
- 2010/11 Table page year end 31<sup>st</sup> March 2011 page 66

Notes to the Core Financial Statements

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



Notes to the Core Financial Statements

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

## Notes to the Core Financial Statements

Directorate Expenditure for the year ended 31 March 2012

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

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	£000
Cost of Services in Service Analysis	124,459
Add services not included in main analysis	0
Add amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	75,030
Remove amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	(4,389)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>195,100</b>

Reconciliation to Subjective Analysis	Service Analysis £000	Services not in the Analysis £000	Amounts included in the analysis but not included in the CI&ES £000	Amounts not included in the analysis but included in the CI&ES £000	Allocation of support service recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(22,791)	0	(267)	0	0	(23,058)	0	(23,058)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	(587)	0	0	0	0	(587)	0	(587)
Income from council tax	0	0	0	0	0	0	(82,301)	(82,301)
Government grants and contributions	(171,882)	0	8,773	0	0	(163,109)	(69,232)	(232,341)
<b>Total Income</b>	<b>(195,260)</b>	<b>0</b>	<b>8,506</b>	<b>0</b>	<b>0</b>	<b>(186,754)</b>	<b>(151,533)</b>	<b>(338,287)</b>
Employee expenses	55,260	0	493	0	7,710	63,463	0	63,463
Other service expenses	264,459	0	13,151	0	3,156	280,766	7,248	288,014
Support Service recharges	0	0	0	0	(12,730)	(12,730)	0	(12,730)
Depreciation, amortisation, impairment and disposal	0	0	52,880	(99)	1,864	54,645	(368)	54,277
Interest Payments	0	0	0	(4,164)	0	(4,164)	3,577	(587)
Precepts & Levies	0	0	0	(126)	0	(126)	126	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(99)	(99)
<b>Total operating expenses</b>	<b>319,719</b>	<b>0</b>	<b>66,524</b>	<b>(4,389)</b>	<b>0</b>	<b>381,854</b>	<b>10,484</b>	<b>392,338</b>
<b>Surplus or deficit on the provision of services</b>	<b>124,459</b>	<b>0</b>	<b>75,030</b>	<b>(4,389)</b>	<b>0</b>	<b>195,100</b>	<b>(141,049)</b>	<b>54,051</b>

## Notes to the Core Financial Statements

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

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

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

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

## Collection Fund Income and Expenditure Account

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

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

## Collection Fund Account

### (1) Council Tax

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

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

### (2) National Non-Domestic Rates

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

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

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

### (3) Government Grants

A £431k (2010/11: 440k) grant with respect to Ministry of Defence properties was credited to the collection fund.

### (4) Precepts & Demands

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

## Collection Fund Account

### (5) Transfer to the General Fund

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

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

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

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

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

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

### (8) Council Tax Base

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

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

## Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Deposit** - Receipt held that is repayable in prescribed circumstances.

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

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

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

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

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

**Earmarked reserve** - See Reserve.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Projected unit actuarial method**

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

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

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

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

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

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

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

**Revaluation reserve** - Records unrealised net gains from asset revaluations after 1<sup>st</sup> April 2007.

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

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

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

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

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

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

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

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

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

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

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

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

## Abbreviations

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



