

Financial Statements 2015/16



West Berkshire
COUNCIL

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Introducing West Berkshire

West Berkshire makes up over half of the geographical area of the county of Berkshire - covering an area of 272 square miles. It lies on the western fringe of the South East region, centrally located, at a crossroads where the South East meets the South West and where the south coast comes up to meet the southern Midlands.

As such, the district lies at the convergence of two key road arteries in the south – the M4 and the A34. Both provide direct road links in all directions, with all the key urban centres in southern England (London, Reading, Southampton, Portsmouth, Bristol, Oxford, and Swindon) within an hour's drive.

The district has good rail links, with London less than an hour by train and further connections, via Reading, to all the mainline routes throughout the country. The area also has very good links to international transport hubs: Heathrow and Southampton airport are 40 miles away, as are the ferry terminals in Southampton and Portsmouth, providing links with the continent.

The district is primarily made up of chalk Downlands, loosely centred along the lower reaches of the River Kennet, which rises in Wiltshire and flows through to join the Thames at Reading.

The flat floodplain of this river is bordered by fairly steep slopes on each side. Most people within the district live within this valley. To the south, the land rises steeply to a line of scarps which form the border with Hampshire. The majority of the district however, lies to the north of the Kennet where the land rises to the Berkshire and Marlborough Downs. This is an area of gently rolling chalk Downlands, classified as part of the North Wessex Downs Area of Outstanding Natural Beauty (AONB). This area is famous for its involvement in horse racing.

The district is administered by West Berkshire Council. The council was created as a single tier (unitary) authority after the dissolution of Berkshire County Council in 1998. The boundary of the district corresponds with that of the former Newbury District Council.



Narrative Report

Introduction

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

The Accounts and Audit (England) Regulations 2015 require the Council to produce Annual Accounts for each financial year giving certain specified information. The narrative report accompanies the accounts and sets out to explain the financial details contained within them.

To assist readers, a glossary of accounting terms is included on pages 71 to 74.

This narrative report is followed by:

- **The Annual Governance Statement** which explains the arrangements the Council has for the governance of its affairs and for ensuring that there is a sound system of internal control;
- **The Independent Auditor's Report** which gives the auditor's opinion on the financial statements and gives a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- **The Statement of Responsibilities** which sets out the respective responsibilities of the Council and the Head of Finance.

The Annual Accounts incorporate the following:

- **The Comprehensive Income & Expenditure Account** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from council tax. Councils raise council tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The council tax position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (total assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement section 'Adjustments required due to statutory accounting policy'.
- **The Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.

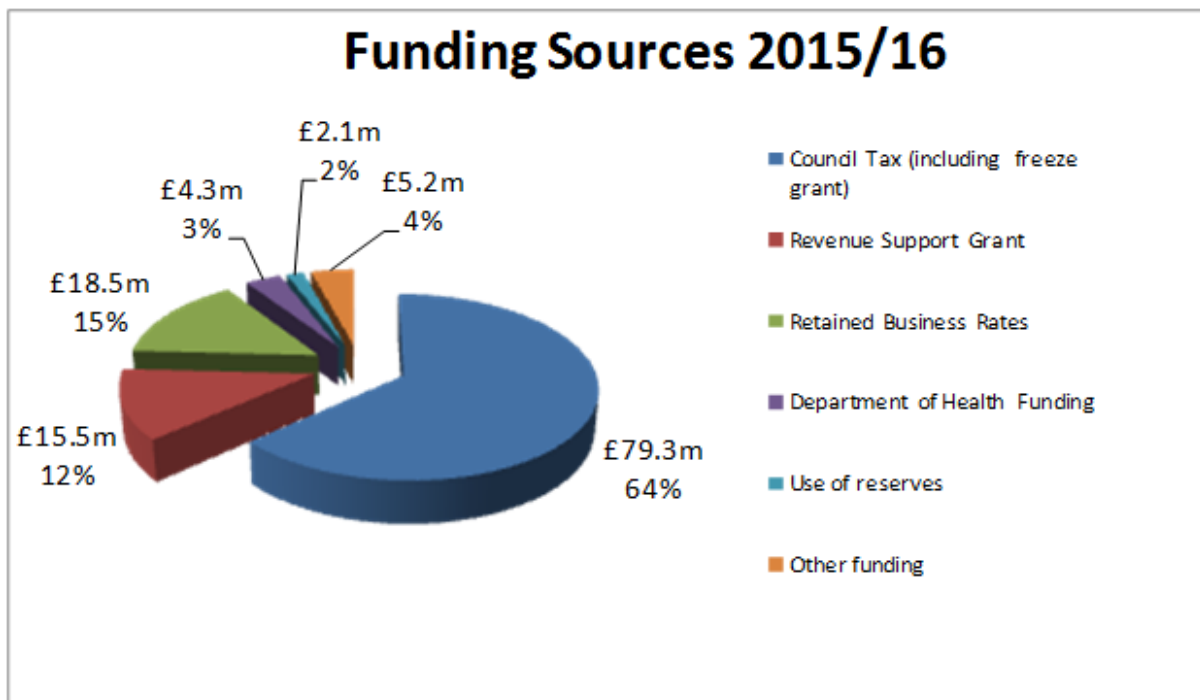
Narrative Report

- **The Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of council tax and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.
- **The Collection Fund Income and Expenditure Account**, which records the council tax and business rates transactions for the financial year and how they are subsequently distributed.

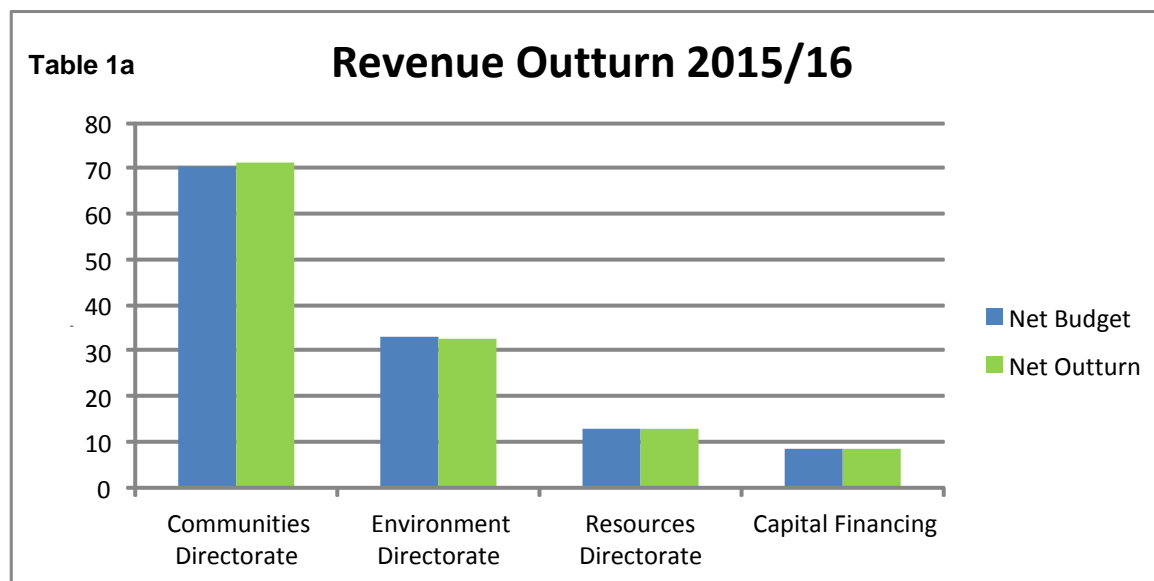
Financial Performance 2015/16

Revenue 2015/16

The Council set a net revenue budget for the 2015/16 financial year of £122.9m. After planned use of reserves of £2m, the approved budget was increased to £124.9m. The expenditure was funded by government grant (Revenue Support Grant), retained business rates, council tax and other amounts including various smaller grants, as shown in the following chart:



The overall revenue outturn for 2015/16 was an overspend of £115k, which represents 0.09% of the net revenue budget and this has reduced the General Fund accordingly. A further movement to the General Fund in 2015/16 was a £1m reduction to establish an earmarked reserve for schools in financial difficulty. The revenue outturn by Directorate is shown in the following table.



The final outturn was a good result in the context of having to manage significant pressures within its “demand led” services, most notably in Children and Family Services.

The Communities Directorate year end revenue position was an overspend of £832k which is 1.2% against a budget of £70.6m. The overspend was primarily the result of a £1.3m overspend within Children’s Services. Whilst the use of agency staff was a pressure across all social service functions, in this specific Service there were additional pressures from work arising from the Ofsted rating and increasing demand. Other pressures arose in Education, again from the demand led provision for Special Educational Needs (SEN), Home to School Transport and Disabled Children’s budgets.

The Environment Directorate year end revenue position was an underspend of £568k, which is 1.7% of the total net budget of £33m. Highways and Transport generated an underspend of £462k, Planning and Countryside £92k and Culture and Environmental Protection £11k. In the last quarter the Environment Directorate responded to the Corporate request to slow down all non essential spending to assist the overall budget position.

The Resources Directorate year end revenue position was an underspend of £149k, which is 1.2% of the total net budget of £12.8m. With the exception of Legal Services (£134k in year overspend), all services across the directorate generated underspends, the most significant being ICT and Corporate Support (£87k underspend). In Legal Services there were increased costs as a result of some high profile cases and Judicial Reviews.

A breakdown of the outturn by Service is shown in the following table with explanations of significant variances to budget explained below:

Narrative Report

| 2015/16 Budget Outturn by Service Table 1b | Current Net Budget 2015/16 | Annual Net Expenditure 2015/16 | Over/(under) spend 2015/16 |
|--|-------------------------------|--------------------------------------|-------------------------------|
| | £000 | £000 | £000 |
| Dedicated Schools Grant | (721) | (721) | 0 |
| Corporate Director - Communities | 275 | 276 | 1 |
| Adult Social Care | 37,794 | 37,365 | (429) |
| Care Commissioning, Housing & Safeguarding | 5,813 | 5,454 | (359) |
| Children's Services | 15,108 | 16,457 | 1,349 |
| Education | 10,944 | 11,130 | 186 |
| Adult Social Care Change Programme | 1,050 | 1,050 | 0 |
| Prevention and Developing Community Resilience | 368 | 452 | 84 |
| Communities | 70,631 | 71,463 | 832 |
| Corporate Director | 164 | 161 | (3) |
| Highways & Transport | 7,648 | 7,186 | (462) |
| Planning & Countryside | 3,708 | 3,616 | (92) |
| Culture & Environmental Protection | 21,490 | 21,479 | (11) |
| Environment | 33,010 | 32,442 | (568) |
| Chief Executive | 514 | 489 | (25) |
| Customer Services | 2,028 | 1,954 | (74) |
| Finance | 1,931 | 1,925 | (6) |
| Human Resources | 1,168 | 1,157 | (11) |
| Information Technology | 2,755 | 2,668 | (87) |
| Legal | 980 | 1,114 | 134 |
| Public Health | (88) | (88) | 0 |
| Strategic Support | 3,590 | 3,510 | (80) |
| Resources | 12,878 | 12,729 | (149) |
| Movement through Reserves | (207) | (207) | 0 |
| Capital Financing & Management | 8,619 | 8,619 | 0 |
| Levies and Interest | 8,412 | 8,412 | 0 |
| Total | 124,931 | 125,046 | 115 |

Communities

The Adult Social Care Service year end position was an underspend of £429k which was due to the downward pressure on the commissioning budgets attributed to the New Ways of Working in the service.

The Care Commissioning, Housing and Safeguarding Service year end position was an underspend of £359k. The underspend was generated through utilising previously ring fenced grants, transferring clients funded from the supporting people budgets into Adult Social Care that meet eligibility criteria as part of the long term decommissioning of supporting people services and lower levels of applicants meeting the essential eligibility criteria for Discretionary Housing Payments.

Children's Services year end position was an overspend of £1.35million. The overspend has arisen as a result of pressures on demand led budgets in year. The main areas of overspend in year have been the placement budget, joint arrangements and the Child Protection Teams. The placement budget funds both placements and allowances and was overspent as a direct result of increasing numbers of children accessing care. At the start of 2015-16, there were 282 children in receipt of care funded from the placement budget; at the end of the financial year 295 children were funded from the placement budget. Joint arrangements for Childcare Lawyers and the Emergency Duty Team £56k are demand led and have seen higher than anticipated levels of demand throughout 2015-16. In respect of Childcare Lawyers, in financial year 2014-15 there was a change in legislation that required all cases to be resolved within a 26 week timeline. As a result of the change the number of cases processed dramatically increased in 2014-15 which continued into the first quarter of 2015-16. Furthermore, the number of cases deemed complex which were processed in 2015-16 were higher than anticipated (13 cases), which increased the requirement for specialised support. The overspend within the three main Child Protection Teams (Contact, Advice and Assessment Service, West and East Locality Teams), is a direct result of agency usage caused by the national shortage of Social Workers and difficulties in recruiting permanent members of staff.

The Education Service year end position was an overspend of £186k. The overspend position has been generated through in year pressures on the Special Educational Needs Home to School Transport Budgets, and the Disabled Children's residential care and community support budgets. The pressures have been partially offset by the implementation of service wide strategies to reduce non essential expenditure and where possible hold posts vacant.

The Prevention and Developing Community Resilience Service's year end position was an overspend of £84k. The pressure occurred within the Quality Assurance and Safeguarding Service (QAAS) as a result of starting the financial year with 70% Agency workforce and an increased numbers of Child Protection Conferences resulting from an increased volume of referrals to Children Services following the post Ofsted Improvement Plan.

All other services had an outturn close to budget.

Environment

The Highways and Transport Service year end position was an underspend of £462k. There have been in year pressures within the Service due to consultancy costs associated with the Sandford Development and the Newbury Transport Interchange. These have been managed by a continued increase in parking income and a saving in the winter service and emergency costs due to the mild weather. Income from car parking continued to perform well in the last quarter and there were reduced costs for emergencies and the winter service operation.

The Planning and Countryside Service year end position was an underspend of £92k. During the year income from development control continued to increase, which helped the Service manage pressures arising from tree safety work and the loss of contributions from Newbury Town Council towards the Public Conveniences.

All other services had an outturn close to budget.

Resources

The Customer Services year end position was an underspend of £74k which was as a result of a recruitment freeze, pension cost savings and legal cost recovery.

The ICT and Corporate Support year end position was an underspend of £87k which was mainly due to a staffing restructure.

The Legal Services year end position was an overspend of £134k. Pressures arose due to reduced income opportunities together with increased costs within the disbursements budget as a result of some high profile legal cases and Judicial Reviews.

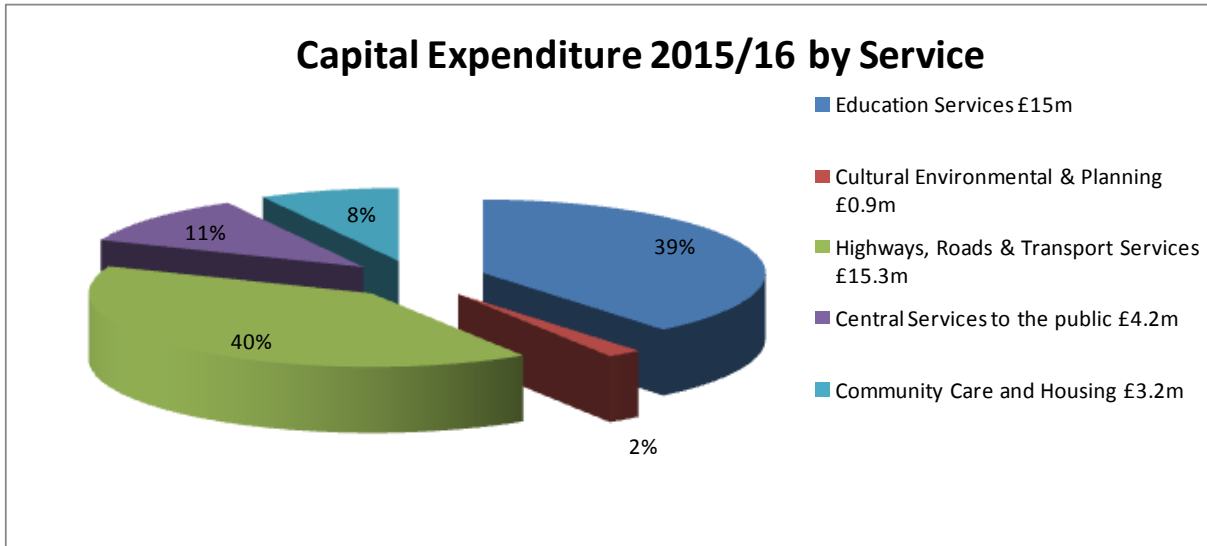
The Strategic Support year end position was an underspend of £80k. Savings have been made in IT through a reduction in software packages, reductions in contributions to local voluntary agencies, lower costs of the Individual Electoral Reform changes, together with a deliberate slowing down of expenditure within the last quarter in line with Corporate guidance.

All other services had an outturn close to budget.

In contrast to the above table, the information presented in the Comprehensive Income and Expenditure Statement, reflects the categories of expenditure specified in the Chartered Institute of Public Finance and Accountancy's Service Reporting Code of Practice for Local Authorities (SeRCOP). Reconciliation between the two presentation formats is shown in Table 58 on page 80.

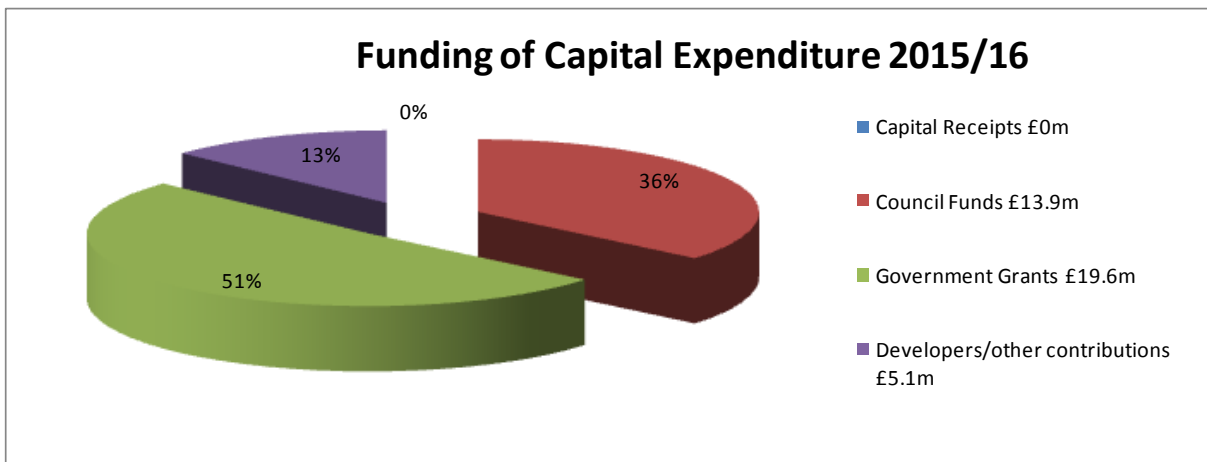
Capital 2015/16

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 £38.6m capital was spent in 2015/16.



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 £38.6m was funded. This shows that the majority of the Council's capital investment was funded from central government grants and the Council's own funds.



Plans for future Capital Investment

In March 2016 the Council approved a Capital Programme for the period 2016 to 2021 which allows for future investment in the following key areas:

- £57.1 million for new school places and improvements to school buildings;
- £55.0 million for maintenance and improvement of highways
- £1.5 million to facilitate the delivery of superfast broadband across West Berkshire;
- £11.6 million for occupational health equipment, home adaptations and supported living for older people and people with physical, sensory or learning disabilities and support for looked after children;
- £3.8 million for maintenance and improvement of parks, open spaces, sporting and cultural facilities.

Borrowing in 2015/16

In 2015/16 the Council took out new long term loans of £14.5m from the Public Works and Loans Board (PWLB) to fund capital expenditure and made principal repayments to the PWLB of £4.1m, bringing its total PWLB loans balance to £126.1m. Payments of £0.5m were made which reduced the level of debt embedded in the Private Finance Initiative (PFI) contract. This brought the Council's total level of long term loans (including PFI debt) to £141.6m as at 31 March 2016 (including payments due on long term loans during 2017/18).

The Council also needs to take out short term loans to cover its cash flow needs due to a number of peaks and troughs throughout the year. The short term loans are normally taken out for periods of less than one month. The cost of this borrowing is more than offset by the interest earned by the investment of the Council's surplus cash in peak periods. The Council had short term loans of £11m outstanding at the 31 March 2016. Together with £4.8m principal repayments made in the financial year 2015/16 in respect of PWLB loans and PFI debt, this makes a total short term borrowing balance of £15.8m.

The Council had a revenue budget of approximately £9.1m in 2015/16 for repayment of borrowing to fund capital expenditure. This amount will grow as a percentage of the Council's revenue budget in the coming years, though at a relatively slow level, as the amount of capital spend planned to be funded from borrowing will decrease over the next five years.

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; 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 some other Councils which hold larger investments and cash balances.

Changes in Capital Assets and Liabilities

The Council has not acquired any new assets or incurred any new liabilities (other than PWLB loans as referred to above) which are unusual in scale.

Cash Flow

The amount of cash held by the Council fluctuates throughout the year and within each month, depending on the dates on which major government grants are received and when large payments are made - in particular, weekly creditors payments and monthly salaries. In general terms, funds are high on the first working day of the month when a large proportion of council tax and government grant is received and low on the last working day of the month when the majority of staff salaries are paid. The Council's overall funds are lower at the end of the financial year, because most council tax is paid over ten months from April to January. The average level of cash balances held by the Council in 2015/16 (excluding schools' balances) was £11.2 million.

The amount of cash held by the Council does not equate to the total usable reserves shown on the Council's balance sheet. This is because we have chosen to minimise the amount borrowed to fund capital expenditure, by offsetting our borrowing needs against our reserves. This is in order to minimise the revenue cost of borrowing and to avoid the risks associated with investing large balances.

Each year we prepare a detailed short term cash flow forecast for the year ahead which takes account of all forecast expenditure in line with the revenue and capital budgets and revenue and capital related grants and other sources of income including future borrowing to fund capital expenditure. We also maintain a longer term (25 year) forecast of future borrowing to fund capital expenditure and the revenue costs of debt repayment. This takes into account the need to borrow in the future to fund capital expenditure incurred in previous years which was offset against reserves (i.e. to repay internal borrowing) and the need to repay maturity loans when they fall due.

Performance Measurement within the Council

The Council's Performance Management Framework describes the approach used to monitor progress against the strategic and operational plans of the Council.

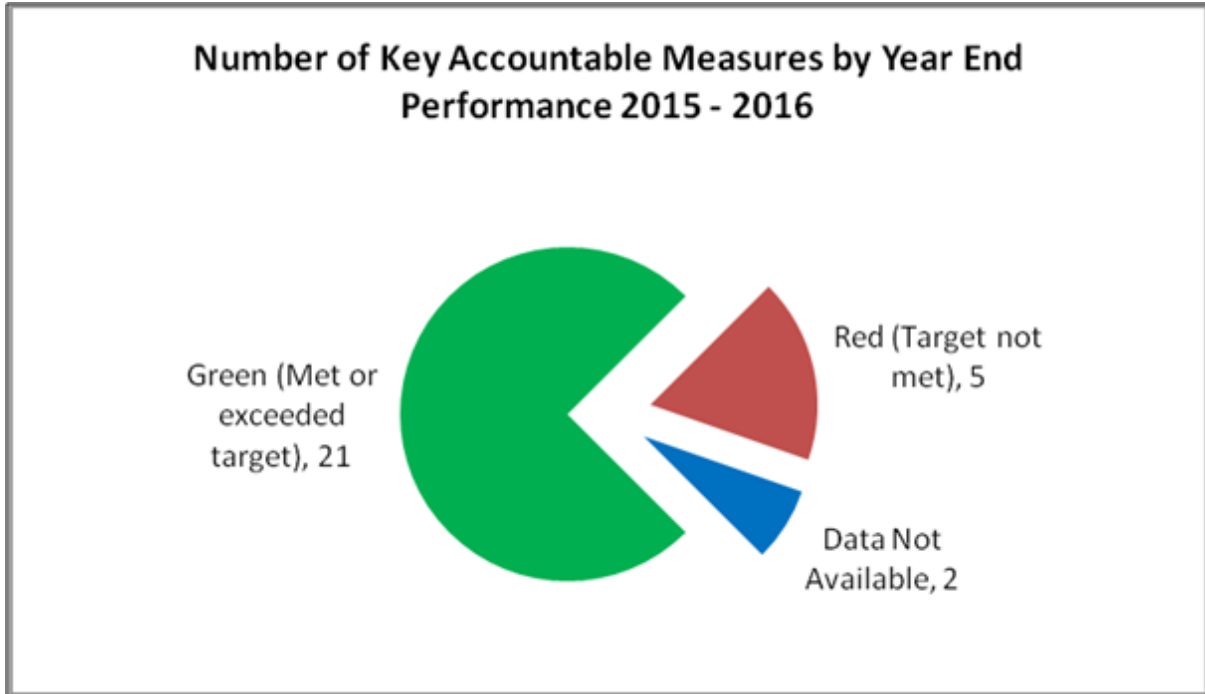
At the most strategic level key accountable measures are used to monitor progress against the overarching aim to 'Become an even more effective council' and each of the priorities for improvement included in the Council Strategy 2015-2019:

- Improve educational attainment
- Close the educational attainment gap
- Enable completion of more affordable housing
- Deliver or enable key infrastructure improvements
- Good at safeguarding children and vulnerable adults
- Support communities to do more to help themselves

The Council has a formal quarterly process for measuring its performance against its strategic objectives. Further details are provided in the section below on KPIs. This is coupled with a solid track record of financial management and delivery of its strategy against a backdrop of significant financial savings being achieved to Council services over recent years.

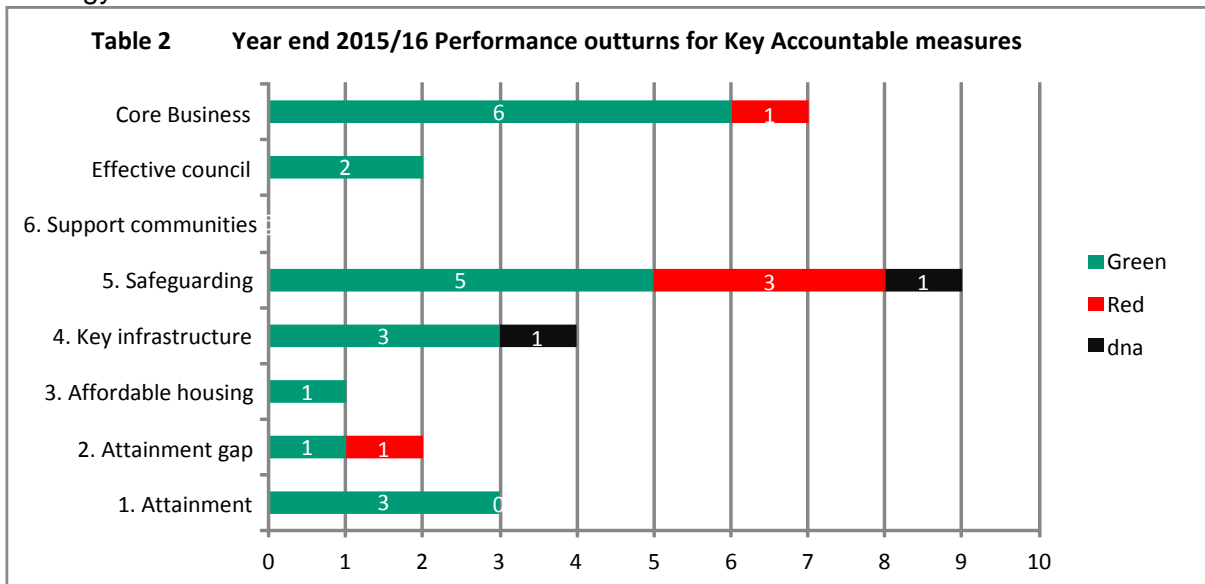
Key Performance Indicators of Progress in Achieving the Council’s Strategic Objectives

At the end of March 2016 a total of 28 key accountable measures were part of the reporting framework. At the time of producing this report data was available for 26 measures. In addition, a placeholder is being used against the ‘Supporting Communities’ priority until an appropriate strategic level measure is agreed.



End of year results were better than the expected targets for 21 measures (81%) and were (RAG) rated ‘Green’. The remaining 5 measures (19%) have not achieved the end of year targets or deadlines and were RAG Rated ‘Red’.

The table below highlights the performance achieved against each priority of the Council Strategy:



Full details on the performance results, including the exception reports for the five measures that have not achieved their targets, are available as part of the End of Year Performance reports for the Executive.

At the end of 2015/16, key accountable measures' overall performance (81% of measures 'Green') is above previous years' overall result (78% of measures rated 'Green').

Main Changes to the Core Statements and Significant Transactions in 2015/16

- **Fixed Assets**

There were no material assets acquired during the year by the Council. Taceham House and Land were sold to Sovereign Housing for £1 and in return the site will be used for affordable housing to meet identified housing needs and the Council will receive a lease for two properties owned by Sovereign for use as temporary accommodation to meet statutory homelessness duties. Taceham House and land were therefore removed from the Council's Asset Register, showing a loss of £294k. This loss is written out through the accounts so has no meaningful impact on the Council's current operation.

Within the 2015/16 accounts, infrastructure assets (highways, footways, bridges etc) are included within Property, Plant and Equipment on the Balance Sheet. In 2016/17 the Council will need to recognise a new asset category on the Balance Sheet, the Highways Network Asset. This will be disclosed as a separate line on the Council's Balance Sheet and separately in the notes to the accounts. This is as a result of changes to the 2016/17 Code of Practice which will require all Local Authorities to value their Highways Network Asset using a depreciated replacement cost basis rather than the current valuation basis of depreciated historical cost. It is expected that this change in accounting policy will result in a significant increase in the value of these assets and would normally require retrospective restatement of the Council's Balance Sheet from 1 April 2015. However, CIPFA/LASAAC has introduced transitional arrangements so that this will be applied from 1 April 2016 with no requirement to restate the information in the prior year. The Council is reviewing its transport infrastructure systems and data to ensure that it can meet the reporting requirements from 1 April 2016.

- **Collection Fund**

The Collection Fund deficit was £6,114k for the 2015/16 financial year (council tax £1,311k and non domestic rates £4,803k). The deficit is recovered as part of the council tax and non domestic rates setting process during the following financial year.

- **Pensions Liability**

The pension fund deficit is currently £239.9m, this reflects the value of pensions liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. 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 council's pension fund has to be revalued every three years to set future contribution rates.

- **Unusual charges or credits in the Annual Accounts**

There were no unusual charges or credits in the Annual Accounts.

- **Significant changes in accounting policies**

There were no significant changes in accounting policies in the year 2015/16.

- **Change in statutory functions**

The main provisions of the Care Act 2014 came into force from April 2015, introducing the most significant changes to social care legislation for 60 years, however the Government has announced that it is delaying the cap on social care costs until April 2020. Despite the Government stating that it would meet the costs of the Care Act in full, the Council has been left to cover an annual funding gap of £3m. This is largely due to the introduction of the National eligibility criteria, which has resulted in West Berkshire Council meeting more needs of its clients.

The Health and Social Care Act 2012 introduced substantial changes to how the NHS in England is organised with responsibility for Public Health transferring to Local Authorities in 2013. This is funded by a ring-fenced grant and during 2015/16 additional grant was received to fund the children's 0-5 health visitor function.

As a result of the significant savings programme that has been put in place for 2016/17, a number of public facing cuts have had to be made. Whilst statutory functions are still being carried out, reductions will be made in many areas including library services and public transport.

- **Significant revenue contingencies or provisions including material write offs**

There were no significant contingencies, provisions or write offs during the year 2015/16.

- **Material events after the Balance Sheet Date 2015/16**

There have been no material events after the balance sheet date.

Economic climate and its impact on council services and future developments in service delivery

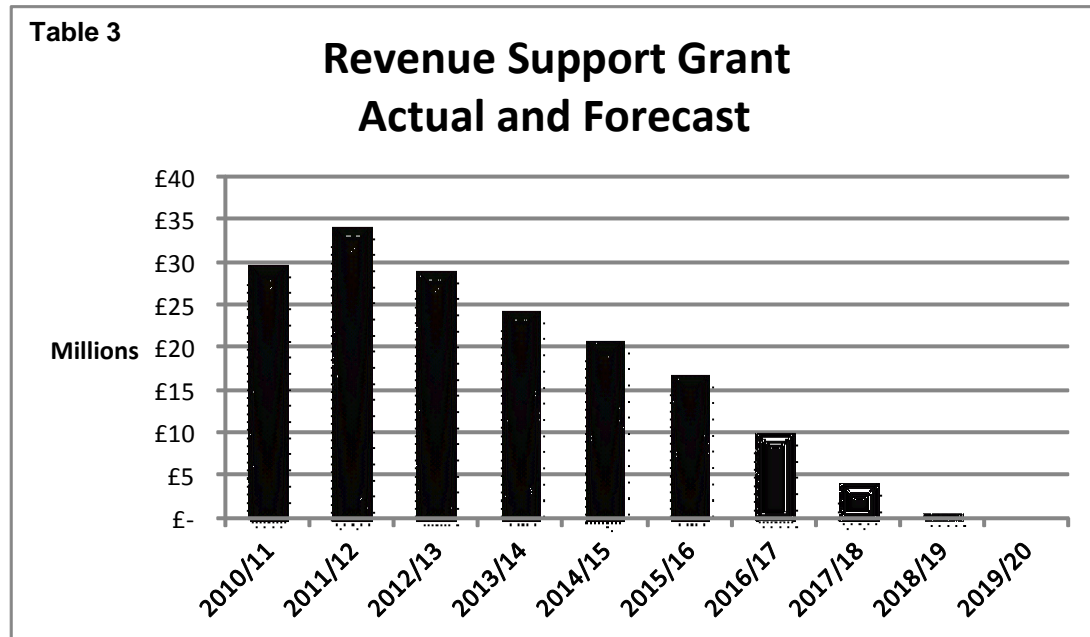
Since 2010, the Council has had to find revenue savings of around £36m due to:

- Reductions in funding from central government
- Cost pressures within services such as increased demands on children's placements, social worker recruitment, demand for social care and demand for services
- Greater volatility in financing from local business rate generation and the impact of large appeals
- The introduction of the Care Act 2014 where, despite the Government stating they would meet the costs in full, the Council has been left to cover an annual funding gap of £3m.
- Keeping council tax increases to a minimum, with no increases in four out of the last five years.

Savings have been achieved through finding efficiencies, staff reductions and transforming services. Despite the economic and financial challenges we have had to face, the Council has continued to deliver on the tasks that it set itself.

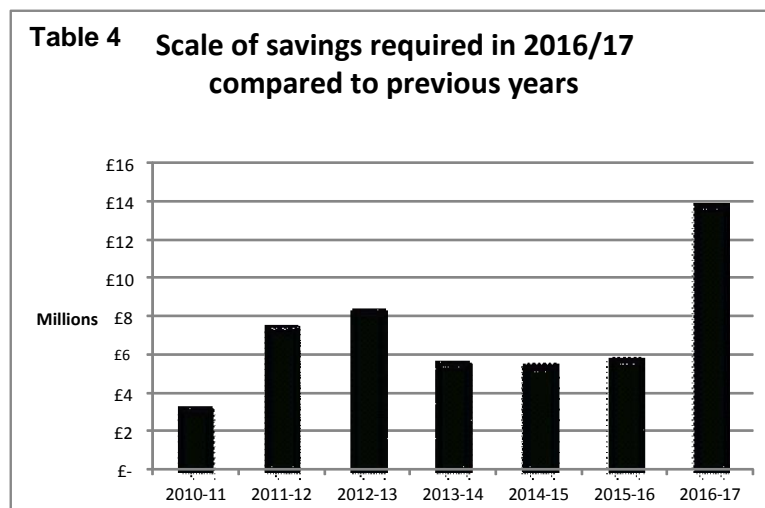
The 'Local Government Settlement 2016-17 and an Offer to Councils for Future Years' was announced in December 2015 making it clear that funding reductions will continue for at least the next four years. The settlement for West Berkshire was much worse than expected. In 2016/17 we will receive 44% less in Revenue Support Grant (RSG) than in 2015/16,

equating to a loss of £7.6m. This is the third largest cut to RSG of all Unitary Authorities in England. Although we had planned for RSG to be cut by 25% year on year, the cuts to RSG are being applied much faster than expected. By 2019/20 we will no longer receive any RSG.



The Council's 2016/17 budget was set with a savings plan of nearly £14m, a Council tax increase of 1.99%, and a further 2% ring-fenced precept applied for Adult Social Care. The savings plans have impacted on our priorities and difficult decisions have had to be made. There is now less money and as a result there have been reductions to the library service, children's centres, home to school transport, public transport subsidy, highway maintenance, provision of care services and many others.

We are working with partners to find alternative ways of funding some services. We are transforming services by looking at alternative ways of delivery particularly in Adult Social Care and Children's Services. We are also raising income where we can. Savings proposals for future years will be part of the ongoing work programme during 2016/17 to 2019/20.



The Council's medium term financial strategy has been updated to reflect the provisional four year funding settlement announced in December 2015. The Council is facing a number of risks that will arise but cannot yet be quantified. The main items are the introduction of the National Living Wage, recruitment and retention of permanent social workers in Children's Services and increases in demand.

The Council needs to ensure that it has a robust financial structure on which to base its long term decisions and to prioritise available resources. Capital investment continues to ensure that core assets are maintained and protected. The level of the Council funded programme is planned to be approximately £10.5m in 2016/17 because of a relatively high level of capital receipts which we expect to apply to help boost investment in Superfast Broadband, Council ICT and to help meet the pressure on primary school pupil numbers. From 2017/18 onwards the ongoing level of new Council funded capital is expected to reduce to approximately £5.7m per year by 2019/20.

There needs to be sufficient levels of reserves for the Council to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation. As part of the budget setting process, the General Fund and Earmarked Reserves are reviewed in detail. The General Fund is at a low level and as such there is minimal planned use of reserves over the period of this strategy. The use of reserves is a one off solution and must be used prudently to ensure it does not undermine longer term budget sustainability.

The Local Government Settlement outlined a number of significant changes to local government funding which will have a significant impact on the Council's finances over the next four years. These included:

- Providing local authorities with the power to levy a 2% increase on council tax to fund adult social care
- By 2019/20, local government will retain 100% of business rate revenues to fund local services
- Greater flexibility for local authorities to use capital receipts to fund revenue costs of business transformation projects
- Real terms Public Health savings of 3.9% over the next five years
- Social care funds of £1.5bn to be made available by 2019/20 for local government, to be included in an improved Better Care Fund
- A National Funding Formula for Schools will be introduced in 2017/18

Conclusion

The Council has managed to achieve a comparatively low overspend and maintain levels of reserves to help manage financial risks during 2016/17. This has been achieved through the effective management of its finances over the past twelve months against a backdrop of continued local and national financial volatility.

Further information

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

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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 Governance in Local Government.
- 1.4 This statement explains how West Berkshire Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations.

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 2016 and up to the date of approval of the Annual Report and Statement of Accounts.

3 The governance framework

- 3.1 The key elements of the systems and processes that comprise West Berkshire Council's governance arrangements are set out below and include arrangements for:
 - Identifying and communicating West Berkshire Council's Strategy that sets out its purpose and intended outcomes for citizens and service users;
 - Reviewing West Berkshire Council's Strategy and its implications for West Berkshire Council's governance arrangements;

- Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's Strategy and ensuring that they represent the best use of resources;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- Consultation on the budget and any proposed budget reductions are planned in good time and adhere to the Council's own consultation policy. As part of any consultation on the budget the Council is cognisant of the "Gunning" principles that require the Council to consult at the formative stage which would mean potential options being available for the residents to comment on. Clearly as the Council's budget reduces and the pressure on further reductions increases this approach becomes more difficult. However, where options are available the Council will seek the views of the residents. The Council will also continue to ensure that the requirements of an Equality Impact Assessment are met and ask our residents how a proposed reduction in service might impact on them and how they could help to mitigate the impact;
- 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 Ethics Committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities";
- The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Conducting a regular review of the effectiveness of Internal Audit;
- Whistle blowing procedures for receiving and investigating complaints from staff or the public;
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training;

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. The Audit Manager conducts the annual review and the next external review is planned for 2017/18.

4.2 The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework, and include:

- The work of the Finance and Governance Group reviewing the Constitution on annual basis and referring changes to the Governance and Ethics Committee and Council;

- The work of the Risk Management Group and the Risk Management framework;
- The annual assurance statements produced by all Heads of Service;
- The work of the Governance and Ethics Committee;
- The work of the Standards Committee;
- The work of Internal Audit; and
- The work of the Overview and Scrutiny Management Commission.
- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman and external auditor, KPMG.
- Commissioning regular external peer reviews by the Local Government Association.

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 Ethics Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant governance issues identified in the Annual Governance Statement (AGS) for 2014/15

5.1 The following is an outline of the significant governance issues that were identified in preparing the 2014/15 AGS.

- Children Services, OFSTED review – the practice issues identified in children and family services in 2014/15 and addressed through the implementation of the recruitment and retention package and related measures had not been sufficiently improved by the time OFSTED inspected the service in March 2015. As a result the service was judged to be inadequate for “help and protection” and therefore inadequate for “overall effectiveness”. As a consequence of this judgement the Department of Education is considering issuing the Council with an “Improvement Notice”. The form this will take, and whether an Improvement Board will be required, is currently under discussion between the Council and the DfE.
- Resourcing service delivery – The Council’s Medium Term Financial Strategy highlighted a funding gap of very significant proportions that has impacted on the Council’s ability to deliver the outcomes set out in the Council Strategy. Key unfunded pressures included:
 1. Care Act funding, was subject of a Judicial Review taken by the Council against the Department of Health
 2. Moving the Children’s Service from an “inadequate” to a “good” rating, as set out in the Council Strategy
 3. Placement costs for Children’s Services
 4. John O’ Gaunt School funding gap
 5. Volatility around the business rate retention.
 6. The budget, planned for July 2015 and subsequent “Spending Review” may result in further grant cuts, greater than allowed for in current plans.

5.2 The following measures were implemented during 2015/16:

- Children's Services, OFSTED review - The Council implemented the Improvement Plan that was prepared in response to the OFSTED inspection judgement.
- Resourcing – The Council has drawn up and is implementing a savings programme that should ensure the Council is able to deliver services within significantly reduced, but nevertheless balanced, budget for 2016-17.

6 Significant Governance Issues identified in 2015/16

6.1 The following is an outline of the significant governance issues identified in 2015/16.

- The Council is facing a number of Judicial Reviews in connection with the delivery of planned savings. If the outcome of these is adverse this will impact on the Council's ability to deliver the 16/17 savings programme.
- The Council's financial position remains very challenging.

6.2 The following measures will be implemented during 2016/17:

- The Council has a good record of defending Judicial Reviews, and will seek to continue to do so.
- The Council will monitor the delivery of savings that have already been approved, and will work to ensure a balanced budget can be set for 2017/18.

Signed:



Nick Carter – Chief Executive



Roger Croft – Leader of the Council

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

We have audited the financial statements of West Berkshire Council for the year ended 31 March 2016 on pages 26 to 88. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. 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, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 18 to 21 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2015, as to whether West Berkshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Berkshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, West Berkshire Council 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 issued by the C&AG in November 2015, 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 ended 31 March 2016.

Certificate

We certify that we have completed the audit of the financial statements of West Berkshire Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Ian Pennington
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
United Kingdom
CF10 4AX

28th September 2016

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Authority, for the purposes of this requirement for the 2015/16 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 Annual Accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Council's Annual Accounts. This is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2016).

In preparing these Annual 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 Annual Accounts present a true and fair view of the financial position of West Berkshire Council as at 31 March 2016.



Andy Walker
Head of Finance 5th September 2016

Comprehensive Income and Expenditure Statement

| 2014/15 | | | Comprehensive Income & Expenditure Statement Table 05 | 2015/16 | | |
|---|------------------|----------------------------|---|---------------------|------------------|----------------------------|
| Expenditure £000 | Income £000 | Net Expenditure £000 | | Expenditure £000 | Income £000 | Net Expenditure £000 |
| Net Expenditure on Continuing Services | | | | | | |
| 59,807 | (12,317) | 47,490 | Adult social care | 67,791 | (10,877) | 56,914 |
| 9,616 | (1,701) | 7,915 | Central Services | 7,188 | (2,562) | 4,626 |
| 13,532 | (1,633) | 11,899 | Cultural & Related Services | 10,938 | (1,426) | 9,512 |
| 23,650 | (3,583) | 20,067 | Environmental & Regulatory Services | 24,081 | (3,639) | 20,442 |
| 5,031 | (1,762) | 3,269 | Planning Services | 4,826 | (1,895) | 2,931 |
| 154,916 | (108,923) | 45,993 | Education and Children's Services | 149,152 | (107,900) | 41,252 |
| 32,535 | (15,153) | 17,382 | Highways and Transport Services | 35,179 | (18,013) | 17,166 |
| 48,199 | (42,501) | 5,698 | Housing Services | 47,014 | (41,987) | 5,027 |
| 4,779 | (4,878) | (99) | Public Health | 5,591 | (5,454) | 137 |
| 760 | (1,078) | (318) | Non-Distributed costs | 9a 524 | 0 | 524 |
| 352,825 | (193,529) | 159,296 | Net Cost of Services | 9b 352,284 | (193,753) | 158,531 |
| | | (106) | (Gain) / loss on the disposal of non current assets | | | 270 |
| | | 3,648 | Precepts to Parishes | 9d | | 3,710 |
| | | 140 | Levies Payable | | | 142 |
| | | 113 | (Surpluses)/deficits on trading undertakings | 7 | | 659 |
| | | 3,795 | Other Operating Expenditure | | | 4,781 |
| | | (399) | Interest Receivable | 13a | | (432) |
| | | (386) | (Surpluses) / deficits on investment properties | 17a | | 1,272 |
| | | 7,930 | Remeasurement of net defined benefit liability | 10d | | 8,116 |
| | | 5,353 | Interest Payable and similar charges | 13a | | 5,767 |
| | | 12,498 | Financing and Investment Income and Expenditure | | | 14,723 |
| | | 175,589 | Net Operating Expenditure | | | 178,035 |
| | | (80,223) | Income from Council Tax | | | (81,133) |
| | | (19,219) | Income from Business Rates | | | (18,305) |
| | | (27,604) | Non Ring Fenced Government Grants | 8b | | (25,914) |
| | | (25,155) | Capital Grants and Contributions | 8b/26 | | (29,189) |
| | | (152,201) | Taxation and Non Specific Grant Income | | | (154,541) |
| | | 23,388 | Surplus or Deficit on Provision of Services | | | 23,494 |
| | | 5,056 | (Surplus) / deficit on revaluation of Fixed Assets | 25b | | (18,092) |
| | | 54,473 | Actuarial (gains) / losses on pension funds | 10d | | (24,045) |
| | | 59,529 | Other Comprehensive Income & Expenditure | | | (42,137) |
| | | 82,917 | Total Comprehensive Income & Expenditure | | | (18,643) |

Balance Sheet

| 2014/15 £000 | Balance Sheet Table 06 | Note | 2015/16 | |
|--------------------------------------|--|------|-----------|----------------|
| | | | £000 | £000 |
| Property, plant and Equipment | | | | |
| 192,775 | Buildings | 16a | 205,486 | |
| 69,910 | Land | 16a | 64,325 | |
| 141,832 | Other | 16a | 151,067 | |
| 0 | Assets Under Construction | 16a | 0 | |
| 404,517 | | | | 420,878 |
| 8,811 | Investment properties | 17b | | 7,590 |
| 413,328 | Total Property, Plant and Equipment | | | 428,468 |
| 107 | Long Term Debtors | | | 122 |
| 413,435 | TOTAL LONG TERM ASSETS | | | 428,590 |
| Current Assets | | | | |
| 4,000 | Short term investments | 13a | 500 | |
| 16 | Inventories | 19a | 24 | |
| 15,892 | Short term debtors | 20 | 17,998 | |
| 4,046 | Assets held for sale | 16a | 3,218 | |
| 2,939 | Cash and cash equivalents | 21 | 994 | |
| 26,893 | TOTAL CURRENT ASSETS | | | 22,734 |
| 440,328 | TOTAL ASSETS | | | 451,324 |
| Current Liabilities | | | | |
| (12,643) | Short term borrowing | 13a | (15,813) | |
| (36,707) | Short term creditors | 22 | (26,924) | |
| (49,350) | TOTAL CURRENT LIABILITIES | | | (42,737) |
| 390,978 | TOTAL ASSETS LESS CURRENT LIABILITIES | | | 408,587 |
| Long term Liabilities | | | | |
| (876) | Provisions | 23 | (350) | |
| (478) | Contributions deferred account | | (452) | |
| (250,135) | Pension liability | 10f | (239,935) | |
| (111,594) | Borrowings PWLB | 14c | (121,882) | |
| (15,468) | PFI liability | 18b | (14,898) | |
| (378,551) | | | | (377,517) |
| 12,427 | TOTAL ASSETS LESS LIABILITIES | | | 31,070 |
| 7,967 | General Fund | 24a | 6,352 | |
| 2,233 | Working Balances | 24a | 2,780 | |
| 12,036 | Earmarked Reserves | 24a | 12,089 | |
| 21,258 | Capital Reserves | 24a | 25,767 | |
| 43,494 | Usable Reserves | 24a | | 46,988 |
| (31,067) | Unusable reserves | 25 | | (15,918) |
| 12,427 | TOTAL RESERVES | | | 31,070 |

Movement in Reserves Statement

| Movement in Reserves Statement 2015/16 Table 07 | General | Earmarked | Capital | Working | Capital | Reserves | | Total |
|---|-----------------|-----------|------------|------------|--------------|-----------------|---------------|---------------|
| | Fund | GF | Receipts | Working | Capital | Usable | Unusable | Authority |
| | Balance | Reserves | Reserve | Balances | Reserves | £ 000 | £ 000 | Reserves |
| | £ 000 | £ 000 | £ 000 | £ 000 | £ 000 | | | £ 000 |
| Balance as at 31 March 2015 | 7,967 | 12,036 | 0 | 2,233 | 21,258 | 43,494 | (31,067) | 12,427 |
| Surplus or (deficit) on provision of services | (23,494) | 0 | 0 | 0 | 0 | (23,494) | 0 | (23,494) |
| Other Comprehensive Expenditure and Income | 0 | 0 | 0 | 0 | 0 | 0 | 42,137 | 42,137 |
| Comprehensive Expenditure & Income | (23,494) | 0 | 0 | 0 | 0 | (23,494) | 42,137 | 18,643 |
| Adjustment required due to statutory accounting policies | 22,479 | 0 | 169 | 0 | 4,340 | 26,988 | (26,988) | 0 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | (1,015) | 0 | 169 | 0 | 4,340 | 3,494 | 15,149 | 18,643 |
| Transfers to / (from) Earmarked Reserves | (600) | 53 | 0 | 547 | 0 | 0 | 0 | 0 |
| Increase / (Decrease) in Year | (1,615) | 53 | 169 | 547 | 4,340 | 3,494 | 15,149 | 18,643 |
| Balance as at 31 March 2016 | 6,352 | 12,089 | 169 | 2,780 | 25,598 | 46,988 | (15,918) | 31,070 |

| Movement in Reserves Statement 2014/15 Table 07b | General | Earmarked | Capital | Working | Capital | Reserves | | Total |
|---|-----------------|--------------|----------|--------------|--------------|-----------------|-----------------|-----------------|
| | Fund | GF | Receipts | Working | Capital | Usable | Unusable | Authority |
| | Balance | Reserves | Reserve | Balances | Reserves | £ 000 | £ 000 | Reserves |
| | £ 000 | £ 000 | £ 000 | £ 000 | £ 000 | | | £ 000 |
| Balance as at 31 March 2014 | 8,451 | 12,301 | 0 | 2,360 | 18,884 | 41,996 | 53,348 | 95,344 |
| Surplus or (deficit) on provision of services | (77,860) | 0 | 0 | 0 | 0 | (77,860) | 0 | (77,860) |
| Other Comprehensive Expenditure and Income | 0 | 0 | 0 | 0 | 0 | 0 | (5,294) | (5,294) |
| Comprehensive Expenditure & Income | (77,860) | 0 | 0 | 0 | 0 | (77,860) | (5,294) | (83,154) |
| Adjustment required due to statutory accounting policies | 76,984 | 0 | 0 | 0 | 2,374 | 79,358 | (79,358) | 0 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | (876) | 0 | 0 | 0 | 2,374 | 1,498 | (84,652) | (83,154) |
| Transfers to / (from) Earmarked Reserves | 392 | (265) | 0 | (127) | 0 | 0 | 237 | 0 |
| Increase / (Decrease) in Year | (484) | (265) | 0 | (127) | 2,374 | 1,498 | (84,415) | (82,917) |
| Balance as at 31 March 2015 | 7,967 | 12,036 | 0 | 2,233 | 21,258 | 43,494 | (31,067) | 12,427 |

Cash Flow Statement

| 2014/15 £000 | Cash Flow Statement Table 08 | Note | 2015/16 | |
|------------------|---|------|--------------|--------------|
| | | | £000 | £000 |
| | Operating Activities | | | |
| 99,286 | Taxation | | 124,581 | |
| 203,414 | Grants | | 206,036 | |
| 989 | Rents | | 941 | |
| 1,847 | Sale of goods and rendering of service | | 25,081 | |
| 399 | Interest received | | 432 | |
| 449 | Other receipts from operating activities | | 408 | |
| <u>306,384</u> | Cash inflows generated from operating activities | | | 357,479 |
| (100,689) | Cash paid to and on behalf of employees | | (145,420) | |
| (39,993) | Housing benefit paid out | | (40,024) | |
| (3,648) | Precepts paid | | (3,710) | |
| (126,359) | Cash paid to suppliers of goods and services | | (138,647) | |
| (5,353) | Interest paid | | (5,767) | |
| (19,862) | Other payments for operating activities | | (21,244) | |
| <u>(295,904)</u> | cash outflows from operating activities | | | (354,812) |
| <u>10,480</u> | Net cashflows from operating activities | 27 | | <u>2,667</u> |
| | Investing activities | | | |
| (30,489) | Purchase of property plant and equipment | | (38,561) | |
| (51,500) | Purchase of short and long term investments | | (10,000) | |
| (49,609) | Other payments for investing activities | | (41,964) | |
| 342 | Proceeds from sale of PPE and investment properties | | 169 | |
| 51,500 | Proceeds from the short and long term investments | | 13,500 | |
| 53,312 | Other receipts from investing activities | | 42,334 | |
| <u>(26,444)</u> | Net cash flows from investing activities | | | (34,522) |
| | Financing activities | | | |
| 101,680 | cash receipts of short and long term borrowing | | 86,404 | |
| 260 | other receipts from financing activities | | 263 | |
| (81,980) | repayments of short and long term borrowing | | (53,060) | |
| <u>(874)</u> | other payments for financing activities | | <u>(758)</u> | |
| 19,086 | Net cashflows from financing activities | | | 32,849 |
| 3,122 | Net increase/decrease in cash and cash equivalents | | | (1,945) |
| (183) | Cash and cash equivalents at the beginning of the reporting period | | | 2,939 |
| <u>2,939</u> | Cash and cash equivalents at the end of the reporting period | 21 | | <u>994</u> |

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(1) Statement of Accounting Policies

I. General principles

The purpose of the Statement of Accounting Policies is to explain the basis of measurement that has been used in the preparation of the Financial Statements. The Annual Accounts summarise the Council's transactions for the 2015/16 financial year and its position at the year end 31 March 2016.

The Financial Statements for 2015/16 are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) issued by The Chartered Institute of Public Finance and Accountancy (CIPFA), Financial Reporting Standards (FRS) and where appropriate the International Accounting Standards (IAS). The Accounting convention adopted is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments. The Annual Accounts have been prepared on a 'going concern' basis.

There are no instances in the Annual Accounts where the fundamental accounting concepts have not been followed. The Annual Accounts can contain estimated figures, where the actual figure is not known. Estimates are made taking into account historical experience, current trends and other relevant factors. There are no items in the Balance Sheet at 31 March 2016 for which there is believed to be a significant risk of material adjustment in the forthcoming financial year.

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

II. Post Balance Sheet Events

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

III. Accruals of Income and Expenditure

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

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

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

Accruals are not made for capital expenditure, but unspent capital funds are carried forward to the next financial year to cover any commitments which are outstanding at year end. This does not follow CIPFA guidance as the recommended practice expects the use of accruals based accounting that is recognising items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the Code. The Council is of the opinion that the time required to produce these accruals is not cost effective. The capital expenditure is written out through the accounts so has no meaningful impact on the Council's current operation or on the Comprehensive Income and Expenditure Statement, although it will have a minor impact on the Council's 'net worth' on the Balance Sheet. The level of the accrual has been estimated to be about £2 million which is 0.46% of the total value of Fixed Assets on the Balance Sheet.

IV. Cash and Cash Equivalents

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

V. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution (If there are no 'conditions' the grant is reflected as income immediately). There must also be reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet under creditors. When conditions are satisfied the grant or contribution is moved to the relevant service revenue account.

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

VI. Charges to Revenue for Fixed Assets

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

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

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

VIII (a) Salaries and Wages

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 three year historic sample of leave owing and then averaged out to give a total for the whole Council. No adjustment has been made for other employee costs.

VIII (b) Pension Schemes and Discretionary Benefits

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

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

All schemes provide defined benefits to members (retirement lump sums and pension), earned as employees working for the Council.

The arrangements for the Teachers' Pension 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 contribution payable to the Teachers' Pension Scheme in the year.

The NHS Pension Scheme is also accounted for as if it were a defined contributions scheme.

The Berkshire Pension Scheme is accounted for as a defined benefits scheme:

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

Liabilities are discounted to their value at current prices using a discount rate. (The discount rate is the yield on the Merrill Lynch Non Gilt Sterling AA over 15 year

Corporate Bond index, with an adjustment to reflect the liabilities relative to the duration of the index.)

The assets of the Berkshire Pension Scheme 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 pension liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year;
 - past service cost – the change in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years or from plan curtailments;
- Gains or losses on settlements - transactions that eliminate all further legal or constructive obligations for part or all of the benefits provided under the plan.
- Administration expenses are those that are directly related to the management of plan assets. These have been charged to the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability - is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period and adjusted for contribution and benefit payments during the year.
- Re-measurements comprising:
 - differences between the return on plan assets and interest income on plan assets calculated as part of the net interest on the net defined benefit liability;
 - actuarial gains and losses which result from events not coinciding with assumptions made at the last actuarial valuation or the actuaries updating the assumptions.
- Contributions paid into the Berkshire Pension Scheme, and
- Benefits paid.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Berkshire Pension Scheme 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 scheme and any amounts payable to the pension scheme but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

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

When redundancy payments are applicable, it will be as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

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

IX. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The full cost of overheads and support services is 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 Comprehensive Income and Expenditure Statement.

X. Investment Property

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

XI. Heritage Assets

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

XII. Property, Plant and Equipment (PPE)/Other information re Fixed Assets

Only assets with a value of £5k or more are counted as fixed assets.

Fixed 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 Councils to choose whether to depreciate its assets at either the mid-point through the year or at the end of the year. West Berkshire Council's assets have been depreciated at the end of the year.

Fixed assets are classified into the groupings shown in the Balance Sheet under the following headings:

- Land and Buildings, shown at fair value
- Plant and Equipment, shown at depreciated historical cost
- Infrastructure Assets, shown at depreciated historical cost
- Community Assets, shown at depreciated historical cost
- Investment Properties, shown at market value
- Assets Under Construction, shown at historical cost
- Assets Held for Sale, shown at fair value.

Assets included in the Balance Sheet at fair value are re-valued, as a minimum, every five years, except for Investment Properties which are re-valued annually. All increases in valuations are matched by credits to the Revaluation Reserve as unrealised gains.

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

If an impairment loss was identified on a fixed asset it would be charged to the Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital Receipts are 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.

Where an item of Property Plant or Equipment is made up of components that have different asset lives, International Accounting Standard 16 (IAS 16) requires the components to be recognised as separate assets. West Berkshire Council splits Fixed Assets into components where components are either 10% of the asset's value or have value of more than £250k. These assets are recognised either at the time of purchase or on revaluation.

In accordance with IAS 16, depreciation is provided for on all Fixed Assets with a finite useful life.

All Fixed Assets, with the exception of Freehold Land, Community Assets, Investment Properties and Assets under Construction are depreciated,

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by a valuer, between 10 and 60 years
- Vehicles, Plant and Equipment - straight line allocation over the life of the asset, mainly 10 years
- IT Assets are depreciated over 5 years
- Infrastructure – straight line allocation, between 10 and 40 years.

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

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

Fixed Assets Held for Sale are initially measured and carried at fair value in the Balance Sheet. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement 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 (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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 impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement.

Where assets are identified as impaired because of a past event, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement. 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 Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure or to repay debt.

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

XIII. Inventories and Work in Progress

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

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

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

XV. Financial Instruments

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

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

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

Where PWLB borrowing is repaid and replaced on the same day, gains and losses are amortised using the effective interest rate method provided the modification test criteria set out in The Code are met. For financial assets and liabilities carried at fair value, the fair value has been determined using discounted cash flow analysis. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the General Fund Balance.

Provisions for Bad Debts have been established in respect of general debtors in accordance with the CIPFA code of practice. The level of the provision has been set to provide adequate cover based upon an aged debt profile as at 31 March 2016.

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

The Prudential Code presented the opportunity for this Council and other Berkshire councils to take back the direct management of the remaining part of the ex BCC loan debt. The

transfer took place with effect from 1 December 2005 and at that time £28.92m of PWLB 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Financial Assets: Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Fair Value estimations: With the exception of its long term loans from the Public Works and Loans Board (PWLB), the fair value of all the Council's financial assets and liabilities is deemed to be equal to their carrying value. This is because these assets and liabilities are, for the most part short term in nature (i.e. < one year). The fair value of the Council's long term PWLB loans as shown in the statement of accounts is calculated by the PWLB.

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

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

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

XVI. 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 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 Council at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the General Fund to remove any impact on council tax or rents.

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

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

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

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

XVII. Leases

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

XVIII. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts to the General Fund. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and put against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. 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 note 24.

XIX. VAT

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

(2) Accounting Standards issued not adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following standard has been issued and will be adopted by the Code in 2016/17 and applicable to the Council from 1 April 2016.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code, Transport Infrastructure Assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. This separate class of asset will be called the Highways asset.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset category. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period.

In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

(3) Critical judgements

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

- The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process.
- In 2014/15 in order to comply with appropriate accounting standards the Council undertook a review of schools' assets. As a result the Council recognises school assets for Community Schools on its balance sheet. The Council has not recognised assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Foundation schools as it is of the opinion that these assets are not controlled by the Council. In the case of VA and VC schools these were deemed to be owned by the relevant dioceses after consultation and review. The transfer of schools to Academies is recognised as a disposal from the Council's balance sheet on the date the school converts to Academy status.

(4) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However

because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4a Asset Valuations

These are based on market prices and are periodically reviewed to ensure that the Council does not misstate its non-current assets and investment properties.

The Council's external valuer provided valuations as at 1st April 2015 for all the Council's investment portfolio and circa 20% of its operational portfolio. The remaining balance of Operational properties was also reviewed to ensure values were reflective of current appropriate values. Investment properties were valued in line with new requirements.

The consequences if the actual results differ from the assumption:

A reduction in the estimated valuations would result in reductions in the Revaluation Reserve and or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's investment properties was to reduce by 10%, this would result in a circa £759k charge to the Comprehensive Income and Expenditure Statement.

An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. The net book value of non-current assets subject to potential revaluation is over £205m.

4b Pensions Liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounted rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments.

The Council is part of the Berkshire Pension Scheme, which is administered by the Royal Borough of Windsor and Maidenhead, who provide advice about the assumptions to be applied.

The consequences if the actual results differ from the assumption:

The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis. Although the pension liability is written out through the accounts so has no meaningful impact on the Council's current operation, it clearly reduces the Council's 'net worth' on the Balance Sheet.

4c Business Rates (NNDR) – safety net

Following the 2010 revaluation of business hereditaments and more recent legislation changes relating to the timing of appeals, we have seen an increased level of appeals.

Successful appeals will negatively impact on the yield, especially with the majority being back dated to 2010 when determined. This is particularly so with larger hereditaments, where the appeals process requires the use of specialist valuers and protracted negotiations.

As at the end of March 2016, 874 appeals in respect of 677 properties remain outstanding with the Valuation Office, with around 10 new appeals being received each month. A provision has been made for the estimated successes of future appeals for losses for the period to the end of March 2016, based on the success rate of appeals by class of property and the average percentage reduction obtained.

In 2013 when the Government introduced the Business Rates Retention Scheme, a safety net system was put in place to protect the Council from losses below 92.5% of the baseline funding level. The safety net level for West Berkshire Council is set at £1.2m below the funding baseline of £16.4m.

The consequences if the actual results differ from the assumption:

The Council's overall financial losses, beyond an initial amount, are protected by the safety net. Any variance to our assumptions affects the scale of the provisions for both bad debts and appeals. This however is offset by a movement in the levy payable to the Government for growth in business rates or safety net entitlement. (This is accrued for at year end).

4d Fair Value estimations – of Land and Buildings

Fair Value estimations – of Land and Buildings

The Council's Investment properties include industrial units, offices and farms. These properties (and any surplus properties and properties held for sale, but not yet under offer) are valued annually by RICS qualified valuers taking into account:

- Market values of similar properties
- Yields
- Void and letting periods
- Size
- Configuration
- Location
- Condition
- Lease Covenants
- And obsolescence.

Properties which are considered to have unobservable inputs, where market evidence is not available, include community centres, sports centres and libraries. 20% of these properties are revalued each year, as part of a rolling programme, on the basis of depreciated replacement value.

The firm of Wilkes, Head & Eve were employed as valuers in 2015/16. All valuations are carried out in accordance with the professional standards of the Royal Institute of Chartered Surveyors (the RICS Red Book); International Reporting Standards (IFRS) and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting. All the valuations submitted by the external valuers are reviewed by the Council's valuation expert, who regularly consults with accountants reporting directly to the Chief financial officer on all valuation matters.

The consequences if the actual results differ from the assumption:

The Council uses a combination of techniques, to measure the fair value of its Investment Properties, surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate.

Some of the significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area, and repairs backlogs. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

4e Provision for Doubtful Debts

As at the 31 March 2016 the Council had an outstanding balance of short term debtors totalling £17.8 m. A review of the major areas of debt has led to an updated provision against doubtful debts of £2.9m. It is not certain that this provision would be sufficient as the Council cannot assess with certainty which debts will be collected or not.

The consequences if the actual results differ from the assumption:

An understatement of doubtful debts would lead to a future adjustment in the accounts. The provisions held are based on policies adapted to the nature of the debt and service area, past experience and success rates experienced in collection. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its doubtful debt provisions.

(5) Prior Year Adjustments

There are no prior year adjustments.

(6) Post Balance Sheet Events

There were no material events after the end of the financial year which need to be reported.

(7) Trading operations

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

The Council also has some external trading accounts primarily to do with leased car insurance and commercial properties. The total income, expenditure and deficit are:

| 2014/15 | | | Trading Operations | | 2015/16 | | |
|---------------------|-----------------|-----------------|--------------------------------|---------------------|-----------------|-----------------|--|
| Expenditure £000 | Income £000 | Deficit £000 | Table 09 | Expenditure £000 | Income £000 | Surplus £000 | |
| 1,753 | (1,504) | 249 | External Trading Accounts | 9,264 | (8,739) | 525 | |
| 10,670 | (10,806) | (136) | Internal Trading Accounts | 10,523 | (10,389) | 134 | |
| 12,423 | (12,310) | 113 | Net (surplus) / deficit | 19,787 | (19,128) | 659 | |

(8) Income

8a The income from council tax shown in the Comprehensive Income and Expenditure Account is the amount that West Berkshire received net of major preceptors. Any amounts owing to or from major preceptors is shown within debtors or creditors.

The Council 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 provider of the funding. The balances at the year- end are shown in the Balance Sheet as receipts in advance and will show in the Comprehensive Income and Expenditure Account once the condition has been met.

8b Principal grant income

| 2014/15 £000 | Grant Income Table 10 | 2015/16 £000 |
|---|--|-----------------|
| Credited to taxation and non specific grant income | | |
| 7,424 | Revenue Support Grant | 2,739 |
| 2,003 | Council Tax Freeze Grant | 2,816 |
| 6,720 | Council Tax Support Funding | 6,653 |
| 73 | Lead Local Flood Authority Funding | 72 |
| 74 | Homelessness Prevention Funding | 73 |
| 2,278 | Early Intervention Grant | 1,880 |
| 0 | Local Services Support Grant | 105 |
| 2,210 | NHS Funding Social Care | 0 |
| 0 | Better Care Fund | 4,339 |
| 0 | Local Welfare Provision | 149 |
| 1,960 | Learning Disability Health Reform Grant | 1,922 |
| 2,262 | New Homes Bonus | 3,062 |
| 2,479 | Education Services Grant | 2,031 |
| 0 | Community Safety Grant | 73 |
| 121 | Other | 0 |
| 27,604 | Total Non Ring Fenced Government Grants | 25,914 |
| 7,857 | Section 106 Contributions | 4,705 |
| 17,298 | Capital Grants | 24,484 |
| 25,155 | | 29,189 |
| Credited to services | | |
| 88,090 | Dedicated Schools Grant | 88,483 |
| 40,831 | Housing Benefit Grant | 40,159 |
| 10,515 | Learning Support Council, Skills & Educ Funding Agencies | 11,172 |
| 4,819 | Public Health | 5,410 |
| 2,312 | Private Finance Initiative | 2,312 |
| 0 | Housing Benefit Administration | 456 |
| 379 | Troubled Families | 371 |
| 0 | Independent Living Fund | 351 |
| 263 | Unaccompanied Asylum Seekers | 290 |
| 279 | Youth Offending | 242 |
| 253 | Discretionary Housing Payments | 171 |
| 0 | Council Tax Admin & Support | 140 |
| 0 | BRR RSG - Other | 95 |
| 2,914 | Other Specific Government Grants | 1,281 |
| 150,655 | Total | 150,933 |

(9) Expenditure

9a Non-distributed costs

These amounts in the Net Cost of Services of the Comprehensive Income and Expenditure Account are primarily due to redundancy costs, pension past service costs and a late pension adjustment.

9b Net cost of services

Includes depreciation charges for the use of Property, Plant and Equipment (PPE), impairment costs associated with PPE, Revenue Expenditure Funded from Capital under Statute(REFCUS) that is capital expenditure on assets that do not belong to the Council, IAS 19 pension costs and movements in Reserves. These are subsequently reversed through Movement through Reserves, so that the net effect on the amount to be met from Government Grants and local taxation is zero.

9c Pooled services

The pooled budget for Community Equipment was established 1 April 2004 under Section 31 of the Health Act 1999. The agreement exists between the six Unitary Authorities in Berkshire and the Primary Care Trusts covering the same geographical area. The pooled budget is administered by the lead authority, Slough Borough Council. The aim of the partnership is to improve the integration of health and social care community equipment services to meet user need.

| 2014/15 £000 | Berkshire Community Equipment Service Table 11 | 2015/16 £000 |
|---|---|-----------------|
| Funding provided to the pooled budget | | |
| (489) | West Berkshire | (661) |
| (4,066) | Berkshire clinical commission groups | (4,533) |
| (1,735) | Other unitary authorities | (2,070) |
| <u>(6,290)</u> | Total income | <u>(7,264)</u> |
| Expenditure met from the pooled budget | | |
| 489 | West Berkshire | 661 |
| 4,066 | Berkshire clinical commission groups | 4,533 |
| 1,735 | Other unitary authorities | 2,070 |
| <u>6,290</u> | Total expenditure | <u>7,264</u> |

9d Parish Council Precepts

Parish Councils are required to precept on the Council, which in turn precepts on the Collection Fund. The total precept is £3,722k (2014/15: £3,655k), of which £12k (2014/15: £7k) represents special expenses for the maintenance of closed church yards, giving a net £3,710k (2014/15: £3,648k) figure as the precepts to the Parishes.

(10) Employee benefits

10a Exit packages

The Council terminated the contracts of a number of employees in 2015/16. These officers were from all areas in the Council and were made redundant as part of the Council's restructuring of its services.

| Exit package banding | 2014/15 | | | | 2015/16 | | | |
|----------------------|----------------------------|---------------------|---------------------------|-----------------------|----------------------------|---------------------|---------------------------|-----------------------|
| | Compulsory redundancies | Other departures | Total exit packages | Total cost £000 | Compulsory redundancies | Other departures | Total exit packages | Total cost £000 |
| COUNCIL | | | | | | | | |
| Up to £19,999 | 5 | 3 | 8 | 55 | 16 | 1 | 17 | 125 |
| £20,000 - £39,999 | 2 | 2 | 4 | 114 | 2 | 0 | 2 | 53 |
| £40,000 - £59,999 | 2 | 0 | 2 | 97 | 0 | 0 | 0 | 0 |
| £60,000 - £79,999 | 2 | 0 | 2 | 144 | 0 | 0 | 0 | 0 |
| | <u>11</u> | <u>5</u> | <u>16</u> | <u>410</u> | <u>18</u> | <u>1</u> | <u>19</u> | <u>178</u> |
| SCHOOLS | | | | | | | | |
| Up to £19,999 | 16 | 4 | 20 | 172 | 25 | 3 | 28 | 178 |
| £20,000 - £39,999 | 3 | 3 | 6 | 142 | 2 | 1 | 3 | 82 |
| | <u>19</u> | <u>7</u> | <u>26</u> | <u>314</u> | <u>27</u> | <u>4</u> | <u>31</u> | <u>260</u> |

10b Remuneration Benefits

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

| Remuneration Bandings | Schools | | | | Council Staff | | | | TOTALS | | | |
|-----------------------|---------------------|-----------|------------------|----------|---------------------|-----------|------------------|----------|---------------------|------------|------------------|----------|
| | Number of employees | | Left during year | | Number of employees | | Left during year | | Number of employees | | Left during year | |
| Table 13 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 |
| £50k-£54k | 28 | 29 | 1 | 1 | 36 | 42 | 2 | 0 | 64 | 71 | 3 | 1 |
| £55k-£59k | 28 | 27 | 0 | 0 | 8 | 8 | 0 | 0 | 36 | 35 | 0 | 0 |
| £60k-£64k | 9 | 17 | 0 | 0 | 18 | 17 | 1 | 0 | 27 | 34 | 1 | 0 |
| £65k-£69k | 9 | 9 | 0 | 0 | 9 | 8 | 1 | 0 | 18 | 17 | 1 | 0 |
| £70k-£74k | 3 | 3 | 0 | 0 | 2 | 3 | 0 | 0 | 5 | 6 | 0 | 0 |
| £75k-£79k | 2 | 2 | 0 | 0 | 1 | 3 | 0 | 0 | 3 | 5 | 0 | 0 |
| £80k-£84k | 4 | 0 | 0 | 0 | 9 | 10 | 0 | 0 | 13 | 10 | 0 | 0 |
| £85k-£89k | 3 | 6 | 1 | 1 | 1 | 1 | 0 | 0 | 4 | 7 | 1 | 1 |
| £90k-£94k | 1 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 1 | 0 | 0 |
| £95k-£99k | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 0 |
| £100k-£104k | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 0 | 1 | 2 | 0 | 0 |
| £105k-£109k | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 0 | 0 |
| £130k-£134k | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 |
| £135k-£139k | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 0 | 0 |
| | <u>88</u> | <u>95</u> | <u>2</u> | <u>2</u> | <u>89</u> | <u>96</u> | <u>5</u> | <u>0</u> | <u>177</u> | <u>191</u> | <u>7</u> | <u>2</u> |

Notes to the Financial Statements

The table below discloses 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 14 | | £ | £ | £ | £ | £ |
| Chief Executive - Nick Carter | | | | | | |
| Resources | 2015/16 | 138,418 | 0 | 138,418 | 22,414 | 160,832 |
| | 2014/15 | 138,418 | 0 | 138,418 | 21,480 | 159,898 |
| Corporate Directors | | | | | | |
| Environment | 2015/16 | 108,438 | | 108,438 | 17,545 | 125,983 |
| | 2014/15 | 106,751 | 0 | 106,751 | 16,543 | 123,294 |
| Communities | 2015/16 | 104,438 | | 104,438 | 17,545 | 121,983 |
| | 2014/15 | 102,779 | 0 | 102,779 | 16,543 | 119,322 |
| Deputy Director | | | | | | |
| Communities | 2015/16 | 85,185 | | 85,185 | 13,723 | 98,908 |
| | 2014/15 | 89,522 | 0 | 89,522 | 13,849 | 103,371 |
| Senior Council Personnel | | | | | | |
| Head of Legal Services | 2015/16 | 83,310 | 0 | 83,310 | 13,408 | 96,718 |
| | 2014/15 | 82,022 | 0 | 82,022 | 12,642 | 94,664 |
| Head of Human Resources | 2015/16 | 81,900 | 1,861 | 83,761 | 13,408 | 97,169 |
| | 2014/15 | 82,022 | 0 | 82,022 | 12,642 | 94,664 |
| Head of Finance | 2015/16 | 79,810 | 3,062 | 82,872 | 13,408 | 96,280 |
| | 2014/15 | 81,101 | 0 | 81,101 | 12,642 | 93,743 |
| TOTAL | 2015/16 | 681,499 | 4,923 | 686,422 | 111,451 | 797,873 |
| TOTAL | 2014/15 | 682,615 | 0 | 682,615 | 106,341 | 788,957 |

10c Members' expenses

The following amounts were paid to members of the Council during the year:

| 2014/15 £000 | Members' expenses Table 15 | 2015/16 £000 |
|-----------------|-------------------------------|-----------------|
| 456 | Salaries | 510 |
| 15 | National Insurance | 17 |
| 24 | Pensions | 1 |
| 0 | Training | 2 |
| 1 | Employee Expenses | 0 |
| 23 | Car Allowance | 22 |
| 8 | Members Expenses | 2 |
| <u>527</u> | | <u>554</u> |

10d Retirement Benefits

Under International Accounting Standards (IAS) 19 Employee Benefits, certain disclosures are required in the Council's accounts. The Reporting Standard requires specific entries to the Balance Sheet and the Comprehensive Income and Expenditure Account relating to the net asset / liability recognised in relation to the Council'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 Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) 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 LGPS is now a career average scheme for benefits built up from 1st April 2014 meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Policy is determined in accordance with the LGPS Regulations.

The date of the last actuarial report received by the Council was the 31 March 2016. IAS 19 requires the Council 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 Council 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 Comprehensive Income and Expenditure Account, in the Net Cost of Services and the financing and investment section.

Notes to the Financial Statements

| 2014/15 £000 | Local Government Pension Scheme Table 16 | 2015/16 £000 |
|-----------------|--|-----------------|
| | Comprehensive Income and Expenditure account | |
| 11,922 | Current service cost | 15,038 |
| 106 | Past service cost, including curtailments | 51 |
| 12,028 | Total Service Cost | 15,089 |
| | Financing and investment income and expenditure | |
| 16,873 | Interest cost | 15,503 |
| (8,943) | Interest on scheme assets | (7,387) |
| 7,930 | Total post employment benefit charged to the surplus or deficit on the provisions of services | 8,116 |
| | Other post employment benefit charged to the comprehensive income and expenditure statement | |
| | Remeasurement of the net defined benefit liability comprising: | |
| (9,703) | Return on assets less interest | 10,977 |
| 0 | Actuarial (gains) and losses arising on change in demographic assumptions | 0 |
| 63,939 | Actuarial (gains) and losses arising on change in financial assumptions | (34,815) |
| 0 | Liabilities assumed / (extinguished) on settlements | 0 |
| 0 | Settlement prices received / (paid) | 0 |
| 238 | Experienced loss / (gain) on defined benefit obligations | (361) |
| 0 | Other actuarial gains / (losses) | 0 |
| 152 | Administrative expenses | 154 |
| 54,626 | Total post employment benefit charged to the comprehensive income and expenditure statement | (24,045) |
| 74,584 | Net Charge / Net surplus to the Comprehensive Income and Expenditure Account | (840) |
| | Movement in Reserves Statement | |
| (74,584) | Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits | 840 |
| 8,513 | Actual amount charged against the General Fund balance for pensions in the year | 9,360 |
| (66,071) | Net liability arising from the defined benefit obligation | 10,200 |

The re-measurements on defined liabilities required by the revised IAS19 standard are a gain of £24,045k in 2015/16 (2014/15 they were a loss of £54,473k) and are included within the Other Comprehensive Income and Expenditure line on the Comprehensive Income and Expenditure Statement.

10e 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 the pension scheme. These liabilities are measured on an actuarial basis, estimating the future cash flows that will arise from the liabilities discounted back to their present values.

| 2014/15 £000 | Funded Liabilities Table 17 | 2015/16 £000 |
|-----------------------|---|-----------------------|
| 383,520 | Opening balance | 468,117 |
| 11,922 | Current service cost | 15,038 |
| 16,873 | Interest cost | 15,503 |
| 63,939 | Change in financial assumptions | (34,815) |
| 3,295 | Contributions by scheme participants | 3,436 |
| 238 | Actuarial (gains) and losses | (361) |
| (11,215) | Estimated benefits paid net of transfers in | (11,758) |
| 106 | Past service costs, including curtailments | 51 |
| (561) | Unfunded pension payments | (560) |
| <u>468,117</u> | Closing balance | <u>454,651</u> |

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

| 2014/15 £000 | Fair Value of Scheme Assets Table 18 | 2015/16 £000 |
|-----------------------|---|-----------------------|
| 199,457 | Opening balance | 217,982 |
| 8,943 | Interest on assets | 7,387 |
| 9,703 | Return on assets less interest | (10,978) |
| (152) | Administrative expenses | (154) |
| 8,513 | Employer contributions including unfunded | 9,360 |
| 3,295 | Contributions by scheme participants | 3,436 |
| (11,776) | Estimated benefits paid plus net transfers in | (12,318) |
| <u>217,982</u> | Closing balance | <u>214,715</u> |

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

10f Scheme History: The underlying assets and liabilities for retirement benefits attributable to the Council (including a percentage of the Berkshire County Council pension fund) at 31 March 2016 are:

| Present value of Scheme Liabilities Table 19 | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 | 2015/16 £000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Present value of Liabilities | (332,188) | (356,471) | (383,520) | (468,117) | (454,651) |
| Fair value of Assets | 177,223 | 194,575 | 199,457 | 217,982 | 214,715 |
| (Deficit) in the scheme | (154,965) | (161,896) | (184,063) | (250,135) | (239,935) |
| Experience loss/(gain) on defined benefit obligation | 1,013 | (559) | (16,523) | (238) | (361) |
| Return on plan assets in excess of interest | (11,053) | 9,135 | (3,162) | 9,654 | (10,978) |

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

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

| 2014/15 | Principal actuarial assumptions | Table 20 | 2015/16 |
|--|--|----------|---------|
| Mortality assumptions | | | |
| Longevity at 65 for current pensioners: | | | |
| 22.8 | Men | | 22.9 |
| 26.1 | Women | | 26.2 |
| Longevity at 65 for future pensioners: | | | |
| 25.1 | Men | | 25.2 |
| 28.4 | Women | | 28.6 |
| 3.3% | Rate of Inflation | | 3.3% |
| 2.5% | CPI increase | | 2.4% |
| 4.3% | Rate of increase in Salaries | | 4.2% |
| 2.5% | Rate of increase in Pensions | | 2.4% |
| 3.4% | Rate of discounting scheme liabilities | | 3.7% |
| 50.0% | Take-up of option to convert annual pension into retirement lump sum | | 50.0% |

Notes to the Financial Statements

Assets held by the whole fund and analysed in terms of the investments in which they are held as at 31 March 2016 are:

| 31/03/15 | | Pension fund assets Table 21 | 31/03/16 | |
|----------------|-------------|---------------------------------|----------------|-------------|
| £000 | % | | £000 | % |
| 96,855 | 45% | Equities | 97,080 | 46% |
| 2,945 | 1% | Gilts | 3,057 | 1% |
| 29,653 | 14% | Other Bonds | 28,781 | 14% |
| 25,889 | 12% | Property | 24,535 | 12% |
| 11,532 | 5% | Cash | 10,586 | 5% |
| 0 | | Alternative assets | | |
| 37,319 | 17% | Target Return | 39,500 | 18% |
| 8,221 | 4% | Commodities | 6,918 | 3% |
| 9,056 | 4% | Infrastructure | 10,032 | 5% |
| (7,787) | -4% | Longevity Insurance | (8,415) | -4% |
| 213,683 | 100% | Total | 212,074 | 100% |

The Council paid an employer's contribution of £8.1m (2014/15: £7.9m). This provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary, based on triennial actuarial valuations. Under the Scheme Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. In addition, the Council is responsible for all early releases of benefit payments, these amounted to £133k (2014/15: £137k).

10g Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council 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 DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council 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 these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council paid employers' contributions of £5.9m (2014/15: £5.4m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% up to 31/8/15, then an increase to 16.48% (2014/15: 14.1%) of pensionable pay.

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

10h NHS Pension Scheme

The NHS Pension Scheme is also accounted for as if it were a defined contributions scheme. The Council paid employers' contributions of £16.7k (2014/15: £15.6k) to the NHS Pension Scheme.

(11) 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 Comprehensive Income and Expenditure Statement and the Cash Flow Statement. The list below represents the Council's material transactions over £100k with other related parties during the financial year.

| 2014/15 £000 | Related Parties Table 22 | 2015/16 £000 |
|-----------------|------------------------------------|-----------------|
| 366 | Corn Exchange Theatre Trust | 320 |
| 971 | West Berkshire Mencap | 0 |
| 206 | Vodafone Ltd | 278 |
| 583 | Reading Borough Council | 0 |
| 557 | Bucks, Berks & Oxon Wildlife Trust | 0 |
| 87 | Sovereign Housing Association | 161 |
| 0 | Berkshire Healthcare | 739 |
| 0 | Volunteer Centre West Berkshire | 136 |
| <u>2,770</u> | Total | <u>1,634</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 (2014/15)
 Royal Berkshire Fire and Rescue Authority

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 Council – it is responsible for providing the statutory framework with which the Council operates, provides some of the funding and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

(12) Auditor's Fees

In 2015/16 the following fees were incurred relating to external audit.

| 14-15 £000 | Audit fees Table 23 | 2015/16 £000 |
|-------------------|---|-------------------|
| 129 | Fees payable to KPMG with regard to external audit services | 97 |
| (13) | Rebate from the Audit Commission with regard to external services | 0 |
| 18 | Fees payable to KPMG with regard to grants audit | 11 |
| <u>134</u> | Total | <u>108</u> |

(13) 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.

13a Financial Instrument balances

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

| Financial Instrument Balances Table 24 | Long Term | | Short Term | |
|---|------------------|------------------|------------------|------------------|
| | 31/03/15 £000 | 31/03/16 £000 | 31/03/15 £000 | 31/03/16 £000 |
| Cash and Investments | | | | |
| Loans and receivables | 0 | 0 | 4,000 | 500 |
| 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 | 2,939 | 994 |
| Total Investments | 0 | 0 | 6,939 | 1,494 |
| Debtors | | | | |
| Financial assets carried at contract amount | 0 | 0 | 11,574 | 11,403 |
| Borrowings | | | | |
| Financial Liabilities at amortised cost | 127,062 | 136,780 | 12,643 | 15,813 |
| Financial Liabilities at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 0 | 0 | 0 | 0 |
| Other Borrowing | 0 | 0 | 0 | 0 |
| Total Borrowings | 127,062 | 136,780 | 12,643 | 15,813 |
| Creditors | | | | |
| Financial Liabilities carried at Contract | 0 | 0 | 25,725 | 20,522 |

Notes:

Interest paid on long term borrowing was £4,767k (2014/15: £4,341k)

Interest paid on the credit arrangement within the PFI contract was £977k (2014/15: £1,008k)

Interest paid on short term borrowing was £23k (2014/15: £3.5k)

Total interest paid £5,767k (2014/15: £5,353k)

Interest earned on investment was £432k (2014/15: £399k)

13b Fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is:

| <u>31/03/15</u> | | | <u>31/03/16</u> | |
|--|--------------------|--|-------------------------|--------------------|
| Carrying Amount £000 | Fair Value £000 | Fair value of liabilities and assets Table 25 | Carrying Amount £000 | Fair Value £000 |
| Fair value of liabilities carried at amortised cost | | | | |
| 20,505 | 32,875 | PWLB Maturity Loans | 20,505 | 32,964 |
| 91,089 | 118,669 | Other PWLB Loans > 1 Year | 101,377 | 130,841 |
| 15,468 | 15,468 | Other Long term Borrowing | 14,898 | 14,898 |
| 12,643 | 12,643 | Short term borrowing | 15,813 | 15,813 |
| <u>139,705</u> | <u>179,656</u> | Total Financial Liabilities | <u>152,593</u> | <u>194,516</u> |
| Fair value of assets carried at amortised cost | | | | |
| 2,939 | 2,939 | Cash and cash equivalents | 994 | 994 |
| 4,000 | 4,000 | Building society & other deposits > 3 months | 500 | 500 |
| <u>6,939</u> | <u>6,939</u> | Total Financial assets | <u>1,494</u> | <u>1,494</u> |

Notes

Short Term Borrowing

Short term borrowing at the 31 March 2016 consisted of £11m (2014/15: £8.0m) cashflow loans of less than 1 year; £4.2m (2014/15: £4.1m) principal due to be repaid on PWLB annuity loans within one year, plus £0.6m (2014/15: £0.5m) principal due to be repaid within one year on the credit arrangement within the PFI waste management contract.

Long Term Borrowing

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

The balance due over more than 1 year on annuity loans from the PWLB, which West Berkshire Council has taken out since April 2005, to help fund investment in capital assets, is £101.4m (2014/15: £91.1m)

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 balance at 31 March 2016 consists of external investments due within three months, cash and cash held at banks

(14) 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.

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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.

14a Investments

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2016 and shows that all deposits outstanding as at 31 March 2016 met the Council's credit rating criteria at that date:

| Investments Table 26 Counter party | Credit rating criteria met | | Balances invested as at 31/03/16 | | | | | Total £000 |
|--|----------------------------|-----------------------|----------------------------------|--------------------|--------------------|---------------------|--------------|---------------|
| | When placed Yes/No | On 31/03/16 Yes/No | < 1 mth £000 | >1 mths <3 £000 | >3 mths <6 £000 | >6 mths <12 £000 | | |
| Other Local Authorities | N/A | N/A | 0 | 0 | 0 | 500 | 500 | |
| Call Accounts with UK Banks | Yes | Yes | 781 | 0 | 0 | 0 | 781 | |
| Total | | | 781 | 0 | 0 | 500 | 1,281 | |

Note

£781k held in call accounts at 31 March 2016 is included in the cash and cash equivalent table.

14b Doubtful receivables

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

| Balance 31/03/15 £000 | Bad Debt Provision £000 | Invoiced Receivables Doubtful Debt Provision Table 27 | Bad Debt Provision % | Balance 31/03/16 £000 | Bad Debt Provision £000 |
|-----------------------------|-------------------------------|---|----------------------------|-----------------------------|-------------------------------|
| 4,210 | 42 | Current | | 3,234 | 32 |
| 1,046 | 63 | Over 30 days | | 1,527 | 92 |
| 378 | 38 | Over 60 days | | 190 | 19 |
| 135 | 34 | Over 90 days | | 92 | 23 |
| 292 | 146 | Between 120 to 365 days | | 265 | 133 |
| 213 | 192 | Between 1 and 2 years | | 177 | 159 |
| 90 | 81 | Between 2 and 3 years | | 133 | 120 |
| 220 | 220 | Earlier years | | 190 | 190 |
| 6,584 | 816 | | | 5,808 | 768 |

Deferred Payment Agreements of £1,195k (2014/15: £983k) are excluded from the above debt provision as they are secured on property

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.

14c 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 on investments greater than one year in duration are the key parameters used to address this liquidity risk. The Council does not normally invest for more than one year. The maturity structure of financial liabilities and assets are as follows (at nominal value):

| 31/03/15 £000 | Liquidity Risk Table 28 | 31/03/16 £000 |
|--------------------------|-----------------------------------|-----------------------|
| Loans outstanding | | |
| 111,594 | PWLB loans for more than one year | 121,882 |
| 15,468 | Other Long Term PFI Borrowing | 14,898 |
| 12,643 | Temporary Borrowing | 15,813 |
| <u>139,705</u> | Total | <u>152,593</u> |
| 12,643 | Less than 1 year | 15,813 |
| 55 | Between 1 & 2 years | 0 |
| 678 | Between 2 & 5 years | 2,680 |
| 11,774 | Between 5 & 15 years | 10,130 |
| <u>114,555</u> | More than 15 Years | <u>123,970</u> |
| <u>139,705</u> | Total | <u>152,593</u> |

14d Market Risk: The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The Council's policy is to aim to keep a maximum of **50%** of its borrowings in variable rate loans. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. During the Financial Year and at 31 March 2016, the Council had no financial loan instruments with variable rates of interest.

(15) Heritage Assets

The Council 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.

15a The Berkshire Record Office (archives of the Royal County of Berkshire)

In 1998, Berkshire County Council was abolished and succeeded by six unitary authorities. Under the terms of the Order dissolving the County Council and creating Unitary Authorities in Berkshire, the Record Office remained a county-wide service, with West Berkshire Council acting as the Archive Council whilst due to the location of the Record Office location, Reading Borough Council was deemed, under a service level agreement, the Host Council. All six authorities entered into a joint agreement for the funding and management of the service; the current agreement runs until 31 March 2028.

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

The Record Office continues to acquire documents that contribute to our knowledge of the county's past. Recent acquisitions include the records of Yattendon Church of England School, Pangbourne and District Volunteer Centre, and Berkshire County Cricket Club. Recent projects have included the conservation of the records of Broadmoor Hospital (generously funded by The Wellcome Trust), the publication of a new index to the important collection of probate records (1480-1857), and a collaboration with Reading University to bring fresh perspective to the story of 'Oscar Wilde and Reading Gaol'. Members of staff also regularly give talks to local organisations about the work of the Record Office, and are happy to arrange visits for local groups.

15b West Berkshire Museum Collections

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

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

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

The Museum collects material that supports the Sense of Place theme for audience development, exhibitions, outreach, and collection development; enabling community engagement and dialogue to reflect local communities in displays and explore individual and community identities. During 2015/16 the museum welcomed 27,500 visitors. The collections were used to work with community groups such as Berkshire, Buckinghamshire and Oxfordshire Wildlife Trust (BBOWT), West Berkshire Ethnic Minority Forum, Newbury Camera Club and Newbury Scouts to produce 10 new exhibitions, most notably the Civil War

Notes to the Financial Statements

exhibition, “King and Cause”. The collections were also utilised in working with local schools throughout West Berkshire and to inspire Family Friendly workshops at the museum.

Notable new acquisitions during 2015 have included material relating to the Greenham Common protests including a “getaway” tent and banners made by Greenham women, a collection of implements from Newbury Community Hospital and Sandleford Hospital, a large collection of ephemera and photographs from a local collector and photographs from a Land Girl stationed in West Berkshire during WWII. A particular highlight is the purchase of 8 gold staters or Iron Age coins found in Sulhampstead, purchased with the support of of Sulhampstead Parish Council, the Headley Trust and Arts Council England/Victoria and Albert Museum Purchase Grant Fund.

(16) Non Current Assets

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

16a Fixed Assets

| Movements in Property, Plant & Equipment & Investment Properties 2015/16 Table 29 | Land & Buildings | Plant & Equipment | Infrastructure Assets | Community Assets | Investment properties | Assets held | | TOTAL |
|---|------------------|-------------------|-----------------------|------------------|-----------------------|----------------|--------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | Sub Total | for sale | |
| Valued at Current value | | | | | | | | |
| Book Value @ 01/04/15 | 300,772 | 22,567 | 192,086 | 9 | 8,223 | 523,657 | 4,559 | 528,216 |
| Revaluations | 4,081 | 0 | 0 | 0 | 0 | 4,081 | 0 | 4,081 |
| Impairments | (8,246) | 0 | 0 | 0 | (558) | (8,804) | 0 | (8,804) |
| Reclassifications | 0 | 0 | 0 | 0 | (709) | (709) | 709 | 0 |
| Other Movements | (587) | 0 | 0 | 0 | 634 | 47 | 0 | 47 |
| Additions | 11,194 | 2,747 | 15,354 | 4 | 0 | 29,299 | 0 | 29,299 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | (2,050) | (2,050) |
| Book Value @ 31/03/16 | 307,214 | 25,314 | 207,440 | 13 | 7,590 | 547,571 | 3,218 | 550,789 |
| Depreciation @ 01/04/15 | | | | | | | | |
| Charged to services | (37,508) | (14,669) | (58,152) | 0 | 0 | (110,329) | (513) | (110,842) |
| On revalued assets | (15,130) | (2,303) | (6,563) | 0 | (19) | (24,015) | 0 | (24,015) |
| On revalued assets | 15,289 | 0 | 0 | 0 | 0 | 15,289 | 0 | 15,289 |
| Depreciation on impaired assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Movements | (67) | 0 | 0 | 0 | 19 | (48) | 0 | (48) |
| On disposal | 0 | 0 | 0 | 0 | 0 | 0 | 513 | 513 |
| Balance @ 31/03/16 | (37,416) | (16,972) | (64,715) | 0 | 0 | (119,103) | 0 | (119,103) |
| Net Book Value @ 31/03/16 | 269,798 | 8,342 | 142,725 | 13 | 7,590 | 428,468 | 3,218 | 431,686 |
| Net Book Value @ 31/03/15 | 263,264 | 7,898 | 133,934 | 9 | 8,223 | 413,328 | 4,046 | 417,374 |
| Revaluation reserve | | | | | | | | |
| Opening | (77,564) | 0 | 0 | (17) | (1,299) | (78,880) | (3,289) | (82,169) |
| Movement | (14,918) | 0 | 0 | 1 | 176 | (14,741) | 1,243 | (13,498) |
| Closing | (92,482) | 0 | 0 | (16) | (1,123) | (93,621) | (2,046) | (95,667) |
| Assets under Construction | | | | | | | | |
| Opening Balance 01/04/15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Movement in year | | | | | | | | |
| Additions | | | | | | | | |
| Closing Balance 31/03/16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Notes to the Financial Statements

A proportion of these properties have been revalued during the year by Wilks Head & Eve a London-based firm of chartered surveyors in accordance with the Code of Practice issued by CIPFA and the RICS Red Book.

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 Council is actively trying to sell. This Council has three assets held for sale which are:

the former Pound Lane Depot (hoping to sell in 2016/17);
land at the Starting Gate (hoping to sell in 2016/17) and
and former Newbury Day centre land (hoping to sell in 2017/18).

| Movements in Property, Plant & Equipment & Investment Properties 2014/15 Table 30 | Land & | Plant & | Infrastructure | Community | Investment | Assets | |
|--|-----------------------|---------------------|-----------------------|-----------------|---------------------|---------------------|-----------------------|
| | Buildings | Equipment | Assets | Assets | properties | held | TOTAL |
| | £000 | £000 | £000 | £000 | £000 | for sale | £000 |
| Valued at Current value | | | | | | | |
| Book Value @ 01/04/14 | 325,310 | 31,908 | 184,130 | 157 | 9,277 | 5,428 | 556,210 |
| Revaluations | 4,574 | 0 | 0 | 0 | 152 | 0 | 4,726 |
| Impairments | (30,884) | 0 | 0 | 0 | (1,310) | (678) | (32,872) |
| Reclassifications | 1,474 | 0 | 0 | 0 | 0 | 9 | 1,483 |
| Other movements | (9,949) | (10,618) | (5,393) | (148) | 0 | 0 | (26,108) |
| Additions | 10,655 | 1,277 | 13,349 | 0 | 104 | 0 | 25,385 |
| Disposals | (408) | 0 | 0 | 0 | 0 | (200) | (608) |
| Book Value @ 31/03/15 | <u>300,772</u> | <u>22,567</u> | <u>192,086</u> | <u>9</u> | <u>8,223</u> | <u>4,559</u> | <u>528,216</u> |
| Depreciation @ 01/04/14 | (46,346) | (22,904) | (57,331) | (148) | 0 | (435) | (127,164) |
| Charged to services | (12,895) | (2,383) | (6,214) | 0 | 0 | (171) | (21,663) |
| On revalued assets | 3,145 | 0 | 0 | 0 | 0 | 0 | 3,145 |
| Depreciation on impaired assets | 8,386 | 0 | 0 | 0 | 0 | 89 | 8,475 |
| Other movements | 9,950 | 10,618 | 5,393 | 148 | 0 | 0 | 26,109 |
| On disposal | 252 | 0 | 0 | 0 | 0 | 4 | 256 |
| Balance @ 31/03/15 | <u>(37,508)</u> | <u>(14,669)</u> | <u>(58,152)</u> | <u>0</u> | <u>0</u> | <u>(513)</u> | <u>(110,842)</u> |
| Net Book Value @ 31/03/15 | <u>263,264</u> | <u>7,898</u> | <u>133,934</u> | <u>9</u> | <u>8,223</u> | <u>4,046</u> | <u>417,374</u> |
| Net Book Value @ 31/03/14 | <u>278,964</u> | <u>9,004</u> | <u>126,799</u> | <u>9</u> | <u>9,277</u> | <u>4,993</u> | <u>429,046</u> |
| Revaluation reserve | | | | | | | |
| Opening | (87,749) | 0 | 0 | (7) | (964) | (3,990) | (92,710) |
| Movement | 10,185 | 0 | 0 | (10) | (335) | 701 | 10,541 |
| Closing | <u>(77,564)</u> | <u>0</u> | <u>0</u> | <u>(17)</u> | <u>(1,299)</u> | <u>(3,289)</u> | <u>(82,169)</u> |
| Assets under Construction | | | | | | | |
| Opening Balance 01/04/14 | 1,484 | 0 | 0 | 0 | 0 | 0 | 1,484 |
| Movement in year | | | | | | | |
| Additions | (1,484) | 0 | 0 | 0 | 0 | 0 | (1,484) |
| Closing Balance 31/03/15 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) that belongs to this Council, is 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.

Notes to the Financial Statements

Infrastructure assets and community assets are included at depreciated historical cost. In 16/17 the Highways element of infrastructure assets will be revalued.

Investment properties are revalued annually whilst all other assets are included at current value and revalued at intervals of not more than five years.

16b Capital Expenditure: The total capital expenditure for the year was £38,562k (2014/15: £30,489k).

16c Capital expenditure financing

| 2014/15 £000 | Capital Expenditure Financing Table 31 | 2015/16 £000 |
|-----------------|---|-----------------|
| 159,196 | Opening Capital Financing Requirement | 163,747 |
| | Capital Investment | |
| 25,386 | Property, Plant and Equipment | 29,300 |
| 0 | Investment Properties | 0 |
| 0 | Assets under construction | 0 |
| 13,103 | Revenue Expenditure Funded from capital under statute | 9,262 |
| | Sources of Finance | |
| (338) | Capital receipts | 0 |
| (18,238) | Government Grants | (19,601) |
| (499) | Other Grants | 0 |
| 0 | Revenue funding | (76) |
| 0 | Other internal balances and funds | (317) |
| (2,223) | Developers/other contributions | (5,095) |
| (12,640) | MRP/Loans Principal Repaid | (4,640) |
| <u>163,747</u> | Closing Capital Financing Requirement | <u>172,580</u> |
| | Explanation of Movements in Year | |
| 0 | Increase in underlying need to borrowing (supported by government financial assistance) | 0 |
| 4,551 | Increase in underlying need to borrowing (unsupported by government financial assistance) | 8,563 |
| 0 | Assets acquired under finance leases | 0 |
| 0 | Assets acquired under PFI/PPP contracts | 0 |
| <u>4,551</u> | Increase/ (decrease) in capital financing requirement | <u>8,563</u> |

16d Capital Assets: During the year a proportion of the Assets were revalued in line with the five year rolling programme. The one Foundation school in the district is not included in the Council's asset register but the Council is required to disclose the valuation. The fixed assets of this school are £13.1m (2014/15: £13.1m) being £10.5m for building and £2.6m for land. The main items of capital expenditure in the year were as follows:

Notes to the Financial Statements

| 2014/15 £000 | Main Items of Capital Expenditure (>£150k) Table 32 | 2015/16 £000 |
|-----------------|--|-----------------|
| | <u>Social Care and Housing</u> | |
| | Notrees Care Home Improvements | 194 |
| | Occupational Therapy Equipment | 909 |
| | Redevelopment of Gypsy and Travellers' Site | 167 |
| | Replacement for Social Care case management system | 335 |
| | Disabled Facilities Grants | 1,275 |
| | Aquisition of new temporary housing | 1,367 |
| <u>755</u> | Total for Social Care and Housing | <u>4,247</u> |
| | <u>Education Projects</u> | |
| | Maintenance of School Buildings | 2,304 |
| | Universal Infant Free School Meals | 170 |
| | Additional primary school places in Newbury | 182 |
| | Theale Primary School expansion | 234 |
| | Robert Sandilands School expansion | 300 |
| | Parsons Down Infant School Kitchen Expansion | 309 |
| | Westwood Farm Infant School Kitchen Expansion | 343 |
| | Francis Baily Primary School Kitchen Expansion | 350 |
| | Calcot Junior School expansion | 435 |
| | Autistic Spectrum Disorder Unit at Trinity School | 448 |
| | Purley Infant School expansion to Primary School | 451 |
| | Lambourn Primary School improvements | 614 |
| | John O'Gaunt School improvements | 791 |
| | Kennet Valley Primary School improvements | 1,194 |
| | Spurcroft Primary School Expansion | 1,430 |
| | The Willows Primary School expansion | 1,479 |
| | Little Heath School improvements | 1,773 |
| <u>10,044</u> | Total for Education | <u>12,807</u> |
| | <u>Highways Maintenance and Improvements</u> | |
| | Maintenance of the highways network | 4,050 |
| | Flood Damaged Road Repairs | 233 |
| | A4 Calcot Widening | 1,198 |
| | Future Programme Development | 259 |
| | Tull Way Retention Pond | 259 |
| | Essential Maintenance of Bridges | 288 |
| | A339 Access to London Road Industrial Estate | 747 |
| | Land Drainage | 268 |
| | A339 Corridor Improvements | 1,659 |
| | Street Lighting Improvements | 4,344 |
| | Local Sustainable Transport | 176 |
| <u>11,221</u> | Total for Highways | <u>13,481</u> |
| | <u>Other Council Projects</u> | |
| | Energy Efficiency projects | 151 |
| | Superfast Broadband Infrastructure | 1,689 |
| | Maintenance and health and safety of Council offices | 687 |
| | Improvements to IT infrastructure and systems | 404 |
| | Modernisation of Leisure Centres | 206 |
| <u>10,946</u> | Total for Other Council Projects | <u>3,137</u> |
| <u>32,966</u> | Total Main Items of Capital Expenditure | <u>33,672</u> |

Wherever possible the Council aims to fund any necessary capital investment from external sources of funding i.e. grants, developers' contributions and capital receipts. The level of investment required over and above the level of external funding available must then be weighed up against the revenue cost of repaying loans to fund capital expenditure from external sources. In establishing its Prudential Framework, the Council determined that it could support a capital programme of £12,975k (2014/15: £11,021k).

16e Leased Assets

Council as Lessor

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

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

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

| 31 March 2015 | | | Table 33 Council as lessor Operating Leases | 31 March 2016 | | |
|---|--|---------------|---|---|--|---------------|
| Sporting & Community facilities £000 | Industrial & Commercial Premises £000 | Other £000 | | Sporting & Community facilities £000 | Industrial & Commercial Premises £000 | Other £000 |
| | | | Leases expiring: | | | |
| 78 | 457 | 48 | Not later than 1 year | 57 | 443 | 104 |
| 170 | 1,076 | 131 | Between 1 and 5 years | 125 | 1,087 | 273 |
| 183 | 4,672 | 150 | Between 5 and 25 years | 164 | 4,690 | 781 |
| 93 | 4,923 | 101 | Over 25 years | 88 | 4,893 | 83 |
| 524 | 11,128 | 430 | | 434 | 11,113 | 1,241 |

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

The rental income credited to the income statement was £667k (2014/15: £642k)

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

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

Notes to the Financial Statements

| 31 March 2015 | | Table 34 | 31 March 2016 | |
|--------------------------|--|---|--------------------------|--|
| Land & Buildings £000 | Vehicles Plant & Equipment £000 | Council as lessee Operating Leases Leases expiring: | Land & Buildings £000 | Vehicles Plant & Equipment £000 |
| 388 | 403 | Not later than 1 year | 383 | 378 |
| 973 | 541 | Between 1 and 5 years | 934 | 268 |
| 3,294 | 10 | Between 5 and 25 years | 3,083 | 2 |
| 5 | 0 | Over 25 years | 4 | 0 |
| <u>4,660</u> | <u>954</u> | | <u>4,404</u> | <u>648</u> |

Being the minimum lease payments payable

The lessee charge to the Income and Expenditure Statement for both Land & Building and Vehicles, Plant & Equipment was £655k (2014/15: £628k) and £363k (2014/15: £459k) respectively. The charge re Plant & Equipment has decreased from 2014/15 because of leased printers being replaced with owned ones.

(17) 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.

17a Rental income from Investment Properties

| 2014/15 £000 | Rental income from Investment Properties Table 35 | 2015/16 £000 |
|-----------------|--|-----------------|
| (404) | Rental income from Investment Properties (incl in note 16e) | (408) |
| 10 | Capital Charges | 1,671 |
| 8 | Direct operating expenses arising from investment properties | 9 |
| <u>(386)</u> | Net Income | <u>1,272</u> |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to remittance of income and the proceeds of disposal. The Council 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.

17b Investment properties

| 2014/15 £000 | Investment Properties Table 36 | 2015/16 £000 |
|-----------------|--|-----------------|
| 9,277 | Balance at start of year | 8,811 |
| | Additions | |
| 0 | Construction | |
| 692 | Subsequent Expenditure | 0 |
| 692 | Total additions | 0 |
| 0 | Disposals | 0 |
| | Other changes | |
| (1,286) | Net gains/losses from fair value adjustments | (567) |
| 0 | Transfers | |
| 0 | To/from Inventories | |
| 128 | To/(from) Property, Plant & Equipment | (709) |
| 0 | Other changes | 55 |
| (1,158) | Total other changes | (1,221) |
| 8,811 | Balance at end of year | 7,590 |

(18) Private Finance Initiative – Integrated Waste Management Facility (IWMF) Padworth

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

18a The contract included provision of an Integrated Waste Management Facility (IWMF), built on Council owned land at Padworth Sidings. This £25.97m facility opened on 19 October 2011, and is recognised as both an asset and liability in the Balance Sheet. However, whilst capital repayments actually commenced from 1 April 2013 notional capital payments have been spread over the 21 years from the month of opening to the end of the PFI contract on 30 September 2032.

Notes to the Financial Statements

The future payment stream is estimated as follows:

| Padworth PFI payments 2014/15 £000 | Table 37 Due within | Repayment of Liability £000 | Interest £000 | Service Charges £000 | Total 2015/16 £000 |
|--|---------------------------|-----------------------------------|------------------|----------------------------|--------------------------|
| 17,587 | Repayment in year | 537 | 977 | 16,347 | 17,861 |
| | Deferred liability | | | | |
| 18,153 | Within 1 year | 570 | 944 | 16,714 | 18,228 |
| 76,156 | 2 to 5 years | 2,649 | 3,406 | 69,863 | 75,918 |
| 104,814 | 6 to 10 years | 4,328 | 3,242 | 96,568 | 104,138 |
| 116,864 | 11 to 15 years | 5,820 | 1,749 | 108,290 | 115,859 |
| 62,638 | 16 to 20 years | 2,099 | 172 | 34,248 | 36,519 |
| 0 | 21 years plus | 0 | 0 | 0 | 0 |
| <u>396,212</u> | | <u>16,003</u> | <u>10,490</u> | <u>342,030</u> | <u>368,523</u> |

18b These payments have been calculated to compensate Veolia for the fair value of the services provided, the capital expenditure incurred and interest payable. The capital asset movement recognised by WBC with and the associated outstanding PFI liability for capital expenditure incurred by Veolia is:

| 31/03/15 £000 | Padworth PFI Asset movements & Liabilities | Table 38 | 31/03/16 £000 |
|---------------------------------|---|----------|------------------|
| Movement in asset value: | | | |
| 28,965 | Gross Book Value at start of year | | 27,954 |
| 11 | Additions | | 0 |
| (1,022) | Revaluation | | 0 |
| <u>27,954</u> | Gross Book Value at year-end | | <u>27,954</u> |
| (1,759) | Depreciation at the start of year | | (1,400) |
| (701) | Depreciation | | (701) |
| 1,060 | Revaluation | | 0 |
| <u>(1,400)</u> | Depreciation at year-end | | <u>(2,101)</u> |
| <u>26,554</u> | Net Book Value at year-end | | <u>25,853</u> |
| (16,511) | Balance outstanding at the start of year | | (16,005) |
| 506 | Principal repayment in year | | 537 |
| <u>(16,005)</u> | Balance outstanding at year-end | | <u>(15,468)</u> |
| (537) | Within 1 year | | (570) |
| (15,468) | Deferred liability | | (14,898) |
| <u>(16,005)</u> | Balance outstanding at year-end | | <u>(15,468)</u> |

At the end of the contract the IWFM will revert, at no residual cost, back to the Council.

(19) Inventory and Work in Progress

19a **Inventory** - goods and materials charged to revenue, which have not been used by the end of year, totaled £24k (2014/15: £16k). This stock is carried forward to be charged in the year it is used.

19b **Contractual commitments:** on major capital schemes at the 31 March 2015 were:

| Estimated commitments at 31/03/15 £000 | Capital commitments Table 42 | Estimated contract cost at 31/03/16 £000 | Contract payments | | Estimated commitments at 31/03/16 £000 |
|---|--|---|---------------------------|------------------------|---|
| | | | prior to 01/04/15 £000 | within 2015/16 £000 | |
| 5 | Chieveley Primary School | 2,996 | 2,996 | 0 | 0 |
| 1,692 | Little Heath School | 2,962 | 1,149 | 1,739 | 74 |
| 620 | Lambourn Primary School | 893 | 269 | 602 | 22 |
| 2,386 | The Willows School | 2,512 | 132 | 1,219 | 1,161 |
| 0 | Kennet Valley Primary School | 1,217 | 26 | 1,148 | 43 |
| 14 | Long Lane Primary School | 476 | 463 | 13 | 0 |
| 2,107 | Spurcroft Primary School Expansion | 2,331 | 366 | 1,249 | 716 |
| 26 | John Rankin Infant School Extension | 890 | 864 | 26 | 0 |
| 51 | John Rankin Junior School Extension | 1,170 | 1,099 | 41 | 30 |
| 22 | The Winchcombe School - Basic Need | 908 | 884 | 24 | 0 |
| 14 | The Castle School Basic Need | 571 | 557 | 14 | 0 |
| 0 | Purley Infants | 640 | 106 | 463 | 71 |
| 484 | John O'Gaunt School Modernisation | 619 | 55 | 549 | 15 |
| 21 | Brookfields Special School Post 16 Expansion | 709 | 678 | 20 | 11 |
| 0 | ASD Secondary Unit at Trinity School | 650 | 0 | 128 | 522 |
| 43 | Newbury Museum Redevelopment | 1,729 | 1,685 | 0 | 44 |
| 3,189 | Superfast Broadband Infrastructure | 4,610 | 1,421 | 1,689 | 1,500 |
| 0 | Superfast Broadband Infrastructure phase 2 | 2,950 | 0 | 0 | 2,950 |
| <u>10,674</u> | | <u>28,833</u> | <u>12,750</u> | <u>8,924</u> | <u>7,159</u> |

(20) Debtors

Debtors: represents income due within one year:

| 31/03/15 £000 | Debtors Table 40 | 31/03/16 £000 |
|------------------|----------------------------------|------------------|
| 3,760 | Central Government | 2,592 |
| 867 | Local Government | 1,301 |
| 404 | NHS | 483 |
| 35 | Academy Schools | 22 |
| 4,517 | Collection Fund | 4,625 |
| 2,317 | Payments in Advance | 2,243 |
| 10,268 | Other Debtors | 9,597 |
| 22,168 | Total Debtors | 20,863 |
| (6,276) | less provision | (2,865) |
| 15,892 | Total Debtors | 17,998 |
| 0 | Government Departments | 0 |
| 20 | Local Government | 9 |
| 0 | NHS | 1 |
| 12 | Academy Schools | 10 |
| 2,285 | Other Payments in Advance | 2,223 |
| 2,317 | Total Payments in Advance | 2,243 |

(21) Cash and cash equivalents

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

| 31/03/15 £000 | Cash & Cash Equivalents Table 41 | 31/03/16 £000 |
|------------------|-------------------------------------|------------------|
| 1,857 | Cash held by the Authority | 2,066 |
| 281 | Bank current accounts | (1,853) |
| 802 | Short Term Deposits | 781 |
| 2,939 | Total | 994 |

Bank current account figures for 31 March 2015 and 31 March 2016 represent the current account balance less the value of cheques issued by the Council which were unrepresented at that date. Short term deposits at 31 March 2016 are in the Goldman Sachs Money Market Fund £370k (2014/15: £158k), HBOS Deposit Account £258k (2014/15: £102k) and Santander Deposit Account £154k (2014/15: £542k).

(22) Creditors

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

| 31/03/15 £000 | Creditors Table 42 | 31/03/16 £000 |
|----------------------------|----------------------------------|------------------|
| 4,193 | Central Government | 2,125 |
| 3,275 | Local Government | 441 |
| 215 | NHS | 436 |
| 105 | Academy Schools | 40 |
| 1,029 | Collection Fund | 807 |
| 5,759 | Receipts in Advance | 3,470 |
| 22,131 | Other creditors | 19,605 |
| 36,707 | Total Creditors | 26,924 |
| Receipts in Advance | | |
| 1,481 | Central Government | 1,556 |
| 70 | Local Government | 84 |
| 4 | NHS | 106 |
| 40 | Academy Schools | 19 |
| 4,165 | Other Receipts in Advance | 1,705 |
| 5,760 | Total Receipts in Advance | 3,470 |

(23) Provisions, contingent liability and contingent assets

| Provisions Table 43 | Balance 31/03/15 £000 | Arising in Year £000 | Payments in Year £000 | Balance 31/03/16 £000 |
|-----------------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|
| Crookham (extraction of minerals) | 9 | 0 | 0 | 9 |
| Provision for liabilities | 358 | 130 | (147) | 341 |
| Other Provisions | 509 | 0 | (509) | 0 |
| Total Provisions | 876 | 130 | (656) | 350 |

Contingent Liabilities

The Council is considering an appeal to the Supreme Court against a ruling on affordable homes. It is not currently possible to estimate the costs involved.

Judicial review proceedings in relation to a development agreement have been commenced against the Council. We are defending the proceedings at a trial in July 2016. Again, likely costs are not known at this time.

(24) Reserves and balances

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

| 31/03/15 £000 | Usable Reserves Table 44 | 31/03/16 £000 |
|------------------|------------------------------|------------------|
| 7,967 | General Fund | 6,352 |
| 2,233 | Working balances | 2,780 |
| 12,036 | Earmarked reserves | 12,089 |
| 0 | Usable Capital Receipts | 0 |
| 21,258 | Capital Reserves | 25,767 |
| 43,494 | Total usable reserves | 46,988 |

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

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

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

| Earmarked Reserves Table 45 | 31/03/15 £000 | Receipts £000 | Payments £000 | 31/03/16 £000 |
|---------------------------------|------------------|------------------|------------------|------------------|
| Total Working Balances | 2,233 | 2,424 | (1,877) | 2,780 |
| General Fund | 6,437 | 0 | (1,115) | 5,322 |
| Risk Fund | 1,530 | 550 | (1,050) | 1,030 |
| Total General Reserve | 7,967 | 550 | (2,165) | 6,352 |
| Schools Balances | 5,120 | 5,452 | (6,037) | 4,535 |
| Special Expenses | 6 | 12 | (8) | 10 |
| Self Insurance Fund | 802 | 471 | (323) | 950 |
| Long term commitment | 1,133 | 25 | (237) | 921 |
| Ex BCC Liabilities | 273 | 0 | (273) | 0 |
| Specific Earmarked Reserves | 3,725 | 5,614 | (4,129) | 5,210 |
| Waste Management Strategy | 977 | 36 | (550) | 463 |
| Total Earmarked Reserves | 12,036 | 11,610 | (11,557) | 12,089 |
| Total General Fund | 22,236 | 14,584 | (15,599) | 21,221 |

24e School Balances:

| School balances 2015/16 | | | | | |
|----------------------------|-----------------|-----------------|-------------------|-----------------|----------------|
| Table 46 | Nursery £000 | Primary £000 | Secondary £000 | Special £000 | Totals £000 |
| Opening balances | 170 | 3,480 | (24) | 1,494 | 5,120 |
| Transfers to Academies | 0 | 0 | 0 | 0 | 0 |
| Restated balances | 170 | 3,480 | (24) | 1,494 | 5,120 |
| Movement | 23 | (671) | 56 | 7 | (585) |
| Closing balances | 193 | 2,809 | 32 | 1,501 | 4,535 |
| Representing | | | | | |
| Underspent | 193 | 3,058 | 882 | 1,501 | 5,634 |
| Overspent | 0 | (249) | (850) | 0 | (1,099) |
| Net balance | 193 | 2,809 | 32 | 1,501 | 4,535 |

Includes all school balances for each sector - revenue and capital. Special schools also include the balances of the two pupil referral units.

If schools underspend their delegated budgets during the year they must be allowed to carry forward the balance for use in future years. At 31 March 2016 Schools held total balances of £4,535k (2014/15: £5,120k).

The £4,535k (2014/15: £5,120k) is an amalgamation of unspent and overspent balances, of which £5,634k is the unspent (surplus) and £ (1,099) k is the overspent (deficit) (2014/15: £5,678k and £ (558) k respectively). Five schools closed with an overall deficit balance (2014/15: five).

From 2015/16 West Berkshire no longer operate a balance control mechanism, but the Schools' Forum may review the financial management at any school which has a surplus of greater than 10% of the actual funding received in year - this is in line with the 2016 Scheme for Financing Schools. Nine schools have a year - end surplus of greater than 10%.

24f 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 services.

24g 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.

24h 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.

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

24j Specific Earmarked Reserves: The main items included within this are items provided for in the current financial year to support the future budget requirements, funds are set aside for future restructuring costs and items for specific future liabilities.

24k 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

| 31/03/15 £000 | Unusable Reserves Table 47 | 31/03/16 £000 |
|------------------------|--------------------------------|------------------------|
| (3,030) | Accumulated Absences Account | (2,705) |
| 82,168 | Revaluation reserve | 95,667 |
| 143,525 | Capital Adjustment Account | 134,530 |
| (250,135) | Pension Reserve | (239,935) |
| (3,595) | Collection Fund | (3,475) |
| <u>(31,067)</u> | Total Unusable Reserves | <u>(15,918)</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 Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

Notes to the Financial Statements

| 2014/15 £000 | Revaluation Reserve Table 48 | 2015/16 £000 |
|-----------------|--|-----------------|
| 92,710 | Opening Balance | 82,169 |
| 7,871 | Upward revaluations of assets | 22,673 |
| (12,927) | Impaired assets | (4,581) |
| (5,056) | Surplus or (deficit) on revaluation of Fixed Assets | 18,092 |
| (115) | Sold assets | (1,244) |
| 0 | Academy Schools removed | 0 |
| (5,370) | Depreciation in year | (3,350) |
| 82,169 | Closing Balance | 95,667 |

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 April 2007, the date that the revaluation reserve was created to hold such gains.

| 2014/15 £000 | PPE - Capital Adjustment Account Table 49 | 2015/16 £000 |
|-----------------|--|-----------------|
| 149,404 | Opening Balance | 143,525 |
| 0 | Revenue contribution to capital | 76 |
| 338 | Capital receipts applied | 0 |
| 17,201 | External funding of new capital assets | 19,803 |
| 12,640 | Minimum Revenue Provision / Loans Principal | 4,910 |
| 3,759 | External funding of REFCUS | 5,208 |
| (13,103) | REFCUS Assets charged | (9,262) |
| (21,687) | Depreciation | (24,015) |
| 5,370 | Historic cost depreciation adjustment | 3,350 |
| (351) | Write out asset values on disposal | (1,538) |
| 115 | Revaluation reserve re sold assets | 1,243 |
| 0 | Sale Adjustment | 34 |
| (11,447) | Impaired assets | (8,246) |
| 1,286 | Revaluations Investment Properties | (558) |
| 143,525 | Closing Balance | 134,530 |

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 Council 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.

| 2014/15 £000 | Council Tax Adjustment Account Table 50 | 2015/16 £000 |
|---------------------|--|-----------------------|
| (25) | Opening Balance | (227) |
| (202) | 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 | (894) |
| <u>(227)</u> | Closing Balance | <u>(1,121)</u> |

| 2014/15 £000 | NNDR Adjustment Account Table 51 | 2015/16 £000 |
|-----------------------|--|-----------------------|
| (1,386) | Opening Balance | (3,368) |
| (1,982) | Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements | 1,014 |
| <u>(3,368)</u> | Closing Balance | <u>(2,354)</u> |

(26) Unapplied Capital Grants, Contributions and Receipts

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

Notes to the Financial Statements

| Unapplied Capital Grants and Contributions | Opening Balance 31/03/15 | New Grants and Contributions | Grants repaid to funding body & Contributions Written off | Amount applied to fund Capital Expenditure | Closing Balance 31/03/16 |
|---|-----------------------------|------------------------------|---|--|-----------------------------|
| Table 52 | £000 | £000 | £000 | £000 | £000 |
| Section 106 & Other Contributions | (17,143) | (4,705) | 68 | 4,887 | (16,893) |
| Capital Grants | (4,115) | (24,484) | 0 | 19,894 | (8,705) |
| Grants & other contributions unapplied | (21,258) | (29,189) | 68 | 24,781 | (25,598) |
| | | | | | |
| Grants with Conditions | (1,857) | (831) | 0 | 1,703 | (985) |

In addition the Council received capital receipts of £169k in 2015/16 which has not yet been applied to fund capital expenditure. This gives total capital reserves (not including grants with conditions) of £25,767k.

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

| 2014/15 £000 | Net Cashflow Table 53 | 2015/16 £000 | £000 |
|----------------------|--|-----------------|---------------------|
| 484 | General Fund (Surplus) / Deficit | | 1,615 |
| | Non Cash Transactions | | |
| 3,215 | Contribution to/(from) Reserves | | 12,949 |
| | Items on an accruals basis | | |
| 19 | (Increase)/Decrease in Stock | | (8) |
| 2,620 | (Increase)/Decrease in Debtors | | (3,205) |
| 4,142 | Increase/(Decrease) in Creditors | | (8,684) |
| <u>10,480</u> | Items classified outside Revenue Activities | | <u>2,667</u> |
| <u>10,480</u> | Net cashflows from operating activities | | <u>2,667</u> |

(28) Cash flow Reconciliation to Balance Sheet

| Cash flow reconciliation Table 54 | 31/03/15 £000 | Movement £000 | 31/03/16 £000 |
|--------------------------------------|------------------|------------------|------------------|
| Temporary Borrowing | <u>12,643</u> | <u>3,170</u> | <u>15,813</u> |
| Temporary Investments | <u>(4,000)</u> | <u>3,500</u> | <u>(500)</u> |
| Cash and cash equivalents | <u>(2,939)</u> | <u>1,945</u> | <u>(994)</u> |

(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). The DSG allocation is based on the number of pupils recorded in the previous October school census. An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2015.

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

Details of the deployment of DSG receivable for 2015/16 are as follows:

| Deployment of Table 55 | Expenditure £000 | Schools Budget £000 | Total £000 |
|--|---------------------|------------------------|-----------------|
| Final DSG for 2015/16 before Academy recoupment | | | 119,087 |
| Academy figure recouped for 2015/16 | | | <u>(30,604)</u> |
| Total DSG after Academy recoupment for 2015/16 | | | 88,483 |
| Plus: Brought forward from 2014/15 | | | 1,100 |
| Less: Carry forward to 2016/17 agreed in advance | | | <u>373</u> |
| Agreed initial budgeted distribution in 2015/16 | 14,066 | 75,890 | 89,956 |
| In year adjustments | <u>(127)</u> | <u>(246)</u> | <u>(373)</u> |
| Final budgeted distribution for 2015/16 | <u>13,939</u> | <u>75,644</u> | <u>89,583</u> |
| Less Actual central expenditure | (14,177) | | (14,177) |
| Less Actual ISB deployed to schools | | (75,153) | (75,153) |
| Plus Local Authority contribution for 2015/16 | <u>0</u> | <u>0</u> | <u>0</u> |
| Carry forward to 2016/17 | <u>(238)</u> | <u>491</u> | <u>253</u> |

(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 Account recognised by the Council in the year in accordance with the proper accounting practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

- 2015/16 Table for year end 31 March 2016 on page 82
- 2014/15 Table for year end 31 March 2015 on page 83

(31) Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council'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 contributions) rather than current service cost of benefits accrued in the year.
 - 2015/16 Table for year end 31 March 2016 on page 83
 - 2014/15 Table for year end 31 March 2015 on page 84

Notes to the Financial Statements

| Adjustment between Accounting Basis and Funding Basis under Regulation | | General Fund Balance | Deferred Credit | Useable Capital Receipts Reserve | Capital Grants Unapplied Account | Movement in | | Total Authority Reserves |
|--|----------|----------------------|-----------------|----------------------------------|----------------------------------|-----------------|-------------------|--------------------------|
| | | | | | | Usable Reserves | Unusable Reserves | |
| 2015/16 | Table 56 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | | |
| Depreciation | | 32,288 | 0 | 0 | 0 | 32,288 | (32,288) | 0 |
| <i>Being charges for depreciation and revaluation losses of non-current assets-</i> | | | | | | | | |
| Investments | | 558 | 0 | 0 | 0 | 558 | (558) | 0 |
| <i>Being movements in the fair value of investment properties</i> | | | | | | | | |
| Grants applied | | (115) | | | (24,849) | (24,964) | 24,964 | 0 |
| <i>Being capital grants and contributions applied</i> | | | | | | | | |
| Revenue funded | | 9,262 | | | | 9,262 | (9,262) | 0 |
| <i>Being revenue expenditure funded from capital under statute</i> | | | | | | | | |
| Disposals | | 295 | | | | 295 | (295) | 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> | | | | | | | | |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | | | |
| Statutory provision | | (4,910) | | | | (4,910) | 4,910 | 0 |
| <i>Being statutory provision for the financing of capital investment</i> | | | | | | | | |
| Capital expenditure | | 0 | | | | 0 | 0 | 0 |
| <i>Being capital expenditure charged against the General Fund and HRA balances</i> | | | | | | | | |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | | | |
| Grants unapplied | | (29,189) | | | 29,189 | 0 | 0 | 0 |
| <i>Being capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement</i> | | | | | | | | |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | | | |
| Cash transfer | | | | 169 | | 169 | (169) | 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 | 0 | 0 |
| <i>Being use of the Capital Receipts Reserve to finance new capital expenditure</i> | | | | | | | | |
| Adjustment primarily involving the Pensions Reserve | | | | | | | | |
| Reversals | | 23,205 | | | | 23,205 | (23,205) | 0 |
| <i>Being reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</i> | | | | | | | | |
| Pension contributions | | (9,360) | | | | (9,360) | 9,360 | 0 |
| <i>Being employer's pension contributions and direct payments to pensioners payable in year</i> | | | | | | | | |
| Adjustment primarily involving the Collection Fund Adjustment Account | | | | | | | | |
| Council tax income | | 120 | | | | 120 | (120) | 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> | | | | | | | | |
| Adjustments primarily involving the Accumulated Absences Account | | | | | | | | |
| Remuneration | | 325 | | | | 325 | (325) | 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> | | | | | | | | |
| Total | | 22,479 | 0 | 169 | 4,340 | 26,988 | (26,988) | 0 |

Total Adjustments between accounting basis and funding basis under regulations

Notes to the Financial Statements

| Adjustment between Accounting Basis and Funding Basis under Regulation | General Fund | | Useable Capital Receipts Reserve | Capital Grants Unapplied Account | Movement in | | Total Authority Reserves |
|--|---------------|-----------------|----------------------------------|----------------------------------|-----------------|-------------------|--------------------------|
| | Balance | Deferred Credit | £000 | £000 | Usable Reserves | Unusable Reserves | £000 |
| 2014/15 Table 57 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Depreciation | 31,848 | 0 | 0 | 0 | 31,848 | (31,848) | 0 |
| <i>Being charges for depreciation and revaluation losses of non-current assets-</i> | | | | | | | |
| Investments | 1,286 | 0 | 0 | 0 | 1,286 | (1,286) | 0 |
| <i>Being movements in the fair value of investment properties</i> | | | | | | | |
| Grants applied | (80) | 0 | 0 | (22,782) | (22,862) | 22,862 | 0 |
| <i>Being capital grants and contributions applied</i> | | | | | | | |
| Revenue funded | 13,103 | 0 | 0 | 0 | 13,103 | (13,103) | 0 |
| <i>Being revenue expenditure funded from capital under statute</i> | | | | | | | |
| Disposals | 351 | 0 | 0 | 0 | 351 | (351) | 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> | | | | | | | |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | | |
| Statutory provision | (12,640) | 0 | 0 | 0 | (12,640) | 12,640 | 0 |
| <i>Being statutory provision for the financing of capital investment</i> | | | | | | | |
| Capital expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Being capital expenditure charged against the General Fund and HRA balances</i> | | | | | | | |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | | |
| Grants unapplied | (25,156) | 0 | 0 | 25,156 | 0 | 0 | 0 |
| <i>Being capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement</i> | | | | | | | |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | | |
| Cash transfer | (246) | 0 | 0 | 0 | (246) | 246 | 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 | 0 | 0 | 0 | 0 | 0 |
| <i>Being use of the Capital Receipts Reserve to finance new capital expenditure</i> | | | | | | | |
| Adjustment primarily involving the Pensions Reserve | | | | | | | |
| Reversals | 20,111 | 0 | 0 | 0 | 20,111 | (20,111) | 0 |
| <i>Being reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</i> | | | | | | | |
| Pension contributions | (8,513) | 0 | 0 | 0 | (8,513) | 8,513 | 0 |
| <i>Being employer's pension contributions and direct payments to pensioners payable in year</i> | | | | | | | |
| Adjustment primarily involving the Collection Fund Adjustment Account | | | | | | | |
| Council tax income | 2,185 | 0 | 0 | 0 | 2,185 | (2,185) | 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> | | | | | | | |
| Adjustments primarily involving the Accumulated Absences Account | | | | | | | |
| Remuneration | 262 | 0 | 0 | 0 | 262 | (262) | 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> | | | | | | | |
| Total | 22,511 | 0 | 0 | 2,374 | 24,885 | (24,885) | 0 |
| <i>Total Adjustments between accounting basis and funding basis under regulations</i> | | | | | | | |

Notes to the Financial Statements

Directorate Expenditure for the year ended 31 March 2016

| Comprehensive Income and Expenditure Statement (CI&ES) Table 58 | Communities £000 | Environment £000 | Resources £000 | Below the line items £000 | Total £000 |
|--|---------------------|---------------------|-------------------|---------------------------------|------------------|
| Fees, charges & other service income | (19,886) | (11,508) | (5,646) | (9,647) | (46,687) |
| Government grants | (101,616) | (2,608) | (46,657) | 0 | (150,881) |
| Total Income | (121,502) | (14,116) | (52,303) | (9,647) | (197,568) |
| Employee expenses | 31,602 | 12,881 | 13,039 | 6,240 | 63,762 |
| Other operating expenses | 161,363 | 33,677 | 51,993 | 11,819 | 258,852 |
| Total operating expenses | 192,965 | 46,558 | 65,032 | 18,059 | 322,614 |
| Net Cost of Services | 71,463 | 32,442 | 12,729 | 8,412 | 125,046 |

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

| | |
|---|----------------|
| Cost of Services in Service Analysis | 125,046 |
| Add services not included in main analysis | |
| Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement | 0 |
| Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement | 33,485 |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | 158,531 |

| Reconciliation to Subjective Analysis | Service Analysis £000 | Amounts included in the analysis but not included in the CI&ES £000 | Amounts not included in the analysis but included in the CI&ES £000 | Allocation of support service recharges £000 | Net Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|--------------------------|--|--|---|------------------------------|---------------------------|------------------|
| Fees, charges & other service income ventures | (46,687) | 3,360 | 0 | 0 | (43,327) | (60,443) | (103,770) |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | (432) | (432) |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | (81,133) | (81,133) |
| Government grants and contributions | (150,881) | 456 | 0 | 0 | (150,425) | (55,102) | (205,527) |
| Total Income | (197,568) | 3,816 | 0 | 0 | (193,753) | (197,110) | (390,862) |
| Employee expenses | 63,762 | (14,354) | 0 | 10,195 | 59,603 | 8,116 | 67,719 |
| Other service expenses | 258,852 | 13,307 | 0 | 0 | 272,159 | 1,930 | 274,089 |
| Support Service recharges and disposal | 0 | 0 | 0 | (12,298) | (12,298) | 0 | (12,298) |
| Interest Payments | 0 | 30,717 | 0 | 2,103 | 32,820 | 0 | 32,820 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | 5,767 | 5,767 |
| Gain / Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | 0 | 3,852 | 3,852 |
| Total operating expenses | 322,614 | 29,670 | 0 | 0 | 352,284 | 19,935 | 372,219 |
| services | 125,046 | 33,486 | 0 | 0 | 158,531 | (177,175) | (18,643) |

Notes to the Financial Statements

Directorate Expenditure for the year ended 31 March 2015

| Comprehensive Income and Expenditure Statement (CI&ES) Table 59 | Communities | Environment | Resources | Below the line items | Total |
|--|------------------|-----------------|-----------------|----------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other service income | (12,772) | (10,209) | (4,931) | (404) | (28,316) |
| Government grants | (98,730) | (2,350) | (42,703) | 0 | (143,783) |
| Total Income | (111,502) | (12,559) | (47,634) | (404) | (172,099) |
| Employee expenses | 27,871 | 12,635 | 13,416 | 0 | 53,922 |
| Other operating expenses | 151,745 | 32,773 | 47,096 | 7,721 | 239,335 |
| Total operating expenses | 179,616 | 45,408 | 60,512 | 7,721 | 293,257 |
| Net Cost of Services | 68,114 | 32,849 | 12,878 | 7,317 | 121,158 |

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

| | |
|---|----------------|
| Cost of Services in Service Analysis | 121,158 |
| Add services not included in main analysis | 0 |
| Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement | 0 |
| Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement | 37,747 |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | 158,905 |

| Reconciliation to Subjective Analysis | Service Analysis | Amounts included in the analysis but not included in the CI&ES | Amounts not included in the analysis but included in the CI&ES | Allocation of support service recharges | Net Cost of Services | Corporate Amounts | Total |
|---|------------------|--|--|---|----------------------|-------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other service income ventures | (28,316) | 3,726 | 0 | 0 | (24,590) | (19,219) | (43,809) |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | (399) | (399) |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | (80,222) | (80,222) |
| Government grants and contributions | (143,783) | (25,155) | 0 | 0 | (168,939) | (27,604) | (196,542) |
| Total Income | (172,099) | (21,429) | 0 | 0 | (193,529) | (127,444) | (320,972) |
| Employee expenses | 53,922 | 3,970 | 0 | 10,243 | 68,136 | 0 | 68,136 |
| Other service expenses | 239,335 | 8,618 | 0 | 0 | 247,953 | 42,561 | 290,515 |
| Support Service recharges and disposal | 0 | 0 | 0 | (12,090) | (12,090) | 0 | (12,090) |
| Interest Payments | 0 | 46,589 | 0 | 1,846 | 48,435 | 0 | 48,435 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | 5,353 | 5,353 |
| Pool | 0 | 0 | 0 | 0 | 0 | 3,648 | 3,648 |
| Gain / Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total operating expenses | 293,258 | 59,177 | 0 | 0 | 352,434 | 51,456 | 403,890 |
| Net Cost of Services | 121,159 | 37,748 | 0 | 0 | 158,905 | (75,988) | 82,917 |

Collection Fund Account

The Collection Fund Income and Expenditure Account

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

| Council Tax 2014/15 £000 | Business Rates 2014/15 £000 | Collection Fund Income & Expenditure Account | | Council Tax 2015/16 £000 | Business Rates 2015/16 £000 |
|---------------------------------------|--------------------------------------|--|-------|-----------------------------------|--------------------------------------|
| | | Table 60 | notes | | |
| Income | | | | | |
| (93,057) | | Council Tax Receivable | 1 | (94,572) | |
| | (83,659) | Business Rates Receivable | 2 | | (86,498) |
| (449) | | Government Grants | | (408) | |
| (93,506) | (83,659) | Total Income | | (94,980) | (86,498) |
| Expenditure | | | | | |
| Precepts & Demands: | | | | | |
| | 41,637 | Central Government | 4 | | 40,896 |
| 80,068 | 40,805 | West Berkshire Council | | 82,068 | 40,077 |
| 9,727 | 0 | Thames Valley Police Authority | | 10,163 | 0 |
| 3,676 | 833 | Royal Berkshire Fire Authority | | 3,766 | 818 |
| 93,471 | 83,275 | | | 95,997 | 81,791 |
| 189 | (4,044) | Transfer to General Fund in respect of distribution of previous year's estimated deficit | 5 | (78) | 383 |
| Charges to the Collection Fund | | | | | |
| 0 | 2 | Transitional Relief Payment | | 0 | 95 |
| 0 | 260 | Costs of collection | | 0 | 259 |
| 82 | 486 | Increase (-) decrease in Bad Debt Provision | 6 | 107 | 0 |
| | 7,725 | Increase (-) decrease in Provision for Appeals | | 0 | 1,900 |
| 82 | 8,473 | | 7 | 107 | 2,254 |
| 93,742 | 87,704 | Total Expenditure | | 96,026 | 84,428 |
| 236 | 4,045 | (Surplus)/Deficit for the year | | 1,046 | (2,070) |
| 29 | 2,828 | (Surplus)/deficit brought forward at 1st April | | 265 | 6,873 |
| 265 | 6,873 | (Surplus)/deficit carried forward at 31st March | | 1,311 | 4,803 |

Collection Fund Account

(1) Council tax

| 2014/15 £000 | Council Tax Table 61 | 2015/16 | |
|----------------------|--------------------------|----------------|----------------------|
| | | £000 | £000 |
| 108,899 | Opening Debit | 110,091 | |
| <u>0</u> | | <u>0</u> | |
| 108,899 | | | 110,091 |
| (1,684) | Exemptions | (1,534) | |
| (7,344) | Discounts | (7,251) | |
| (94) | Disabled relief | (81) | |
| <u>(6,720)</u> | Council Tax Support | <u>(6,653)</u> | |
| <u>(15,842)</u> | | | <u>(15,519)</u> |
| <u>93,057</u> | Net Closing Debit | | <u>94,572</u> |

(2) National Non-Domestic Rates

From 1st April 1994 until 31st March 2012 each Council received its Non-Domestic Rates (NDR) income direct from the central pool rather than passing it through the Collection Fund. From 1st April 2013 following the introduction of the new Business Rates Retention Scheme 49% of business rates collected by the Council are now retained with the remainder being shared between Central Government (50%) and the Royal Berkshire Fire and Rescue Authority (1%) The aim of the scheme is to give councils greater incentive to grow the businesses in their area and allows West Berkshire Council to retain its proportionate share of the business rates growth. It does, however increase the volatility of the income received from NDR due to the risks of non payment and volatility in the tax base.

| 2014/15 £000 | National Non-Domestic Rates Table 62 | 2015/16 | |
|----------------------|---|---------------|----------------------|
| | | £000 | £000 |
| 92,238 | Opening Debit | 89,059 | |
| 92,238 | | | 89,059 |
| (2,677) | Less empty and revalued properties | (2,715) | |
| (421) | New funded relief | 0 | |
| 2 | Transitional relief | 95 | |
| (6,417) | Mandatory relief | (6,906) | |
| (121) | Discretionary relief | (714) | |
| 319 | bills deferred in line with National Scheme | 0 | |
| 736 | RV List amendments | 7,679 | |
| | | | <u>(2,561)</u> |
| <u>83,659</u> | Net Business Rates Receivable | | <u>86,498</u> |

The opening debit is arrived at by multiplying the total rateable value by the rate poundage (48 pence in the pound).

Collection Fund Account

(3) Government Grants

A £408k (2014/15: 449k) grant with respect to Ministry of Defence properties was credited to the Collection Fund.

(4) Precepts & Demands

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

(5) Transfer to the General Fund

This represents a transfer to the general fund in respect of the estimated deficit/surplus on the Collection Fund as at January 2015. This surplus is shared between the precepting bodies. In January 2015 it was estimated that the Collection Fund would have a business rates surplus of £383k and a council tax deficit of £78k. The following amounts were therefore due to/from preceptors:

| Council Tax 2014/15 £000 | Business Rates 2014/15 £000 | Contributions to Collection Fund Surplus and Deficit Table 63 | Council Tax 2015/16 £000 | Business Rates 2015/16 £000 |
|--------------------------------|-----------------------------------|--|--------------------------------|-----------------------------------|
| (162) | 1,981 | West Berkshire Council | 67 | (188) |
| 0 | 2,022 | Central Government | 0 | (191) |
| (19) | 0 | Thames Valley Police | 8 | 0 |
| (8) | 41 | Royal Berkshire Fire and Rescue Authority | 3 | (4) |
| (189) | 4,044 | | 78 | (383) |

(6) Provision for Appeals

A provision has been made to reflect business rates appeals made to the Valuation Office Agency that are outstanding as at the 31 March 2016. The provision results from the introduction of the Business Rates Retention Scheme in 2013/14.

| 2014/15 £000 | Business Rate Appeals Table 64 | 2015/16 £000 |
|-----------------|--|-----------------|
| 690 | Opening balance | 7,679 |
| 7,725 | Transfer from Income & Expenditure Account | 1,900 |
| (736) | Write off in the year | (7,679) |
| 7,679 | Closing Balance | 1,900 |

Collection Fund Account

(7) 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 65 | | Band | Net Dwellings | Multiplier | Band D Equivalent |
|------------------------------|-------------------------------------|------|------------------|------------|----------------------|
| | Disabled | A | 0.00 | 5/9 | 0.00 |
| | up to £40,000 | A | 1,713.75 | 6/9 | 1,142.50 |
| over £40,000 | up to £52,000 | B | 4,194.85 | 7/9 | 3,262.66 |
| over £52,000 | up to £68,000 | C | 15,502.51 | 8/9 | 13,780.01 |
| over £68,000 | up to £88,000 | D | 15,200.42 | 9/9 | 15,200.42 |
| over £88,000 | up to £120,000 | E | 9,509.30 | 11/9 | 11,622.50 |
| over £120,000 | up to £160,000 | F | 6,241.85 | 13/9 | 9,016.01 |
| over £160,000 | up to £320,000 | G | 4,185.60 | 15/9 | 6,976.00 |
| over £320,000 | | H | 665.60 | 18/9 | 1,331.20 |
| | | | | | 62,331.29 |
| | Adjustment for losses on collection | | | x | 0.996 |
| | | | | | 62,081.97 |

Glossary

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

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

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

Amortised cost: Most financial instruments (whether borrowing or investment) are valued in 2014/15 on an amortised costs basis using the effective interest rate (EIR) method.

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

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

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

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

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

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

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

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

CIPFA - Chartered Institute of Public Finance and Accountancy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deposit - Receipt held that is repayable in prescribed circumstances.

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

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

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

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

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

Earmarked reserve - See Reserve.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National Business Rates - Charges collected by district councils from non-domestic properties, at a national rate in the pound set by the Government.

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 Annual Accounts are authorised for issue.

Precept - The demand made by the preceptor on the Collection fund maintained by the billing authority 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.

Glossary and Abbreviations

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

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

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

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

Revenue expenditure - The operating costs incurred by the Council during the financial year in providing its day-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.

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

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

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

SOLACE – Society of Local Authority Chief Executives

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

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

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

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

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

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

Abbreviations

| | |
|---------------|---|
| AGS | Annual Governance Statement |
| AONB | Area of Outstanding Nature Beauty |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| DSG | Dedicated Schools Grant |
| FIAA | Financial Instruments Adjustment Account |
| FRICS | Fellow of The Royal Institute Of Chartered Surveyors |
| FRS | Financial Reporting Standard |
| HRA | Housing Revenue Account |
| IAS | International Accounting Standards |
| IAS 16 | Accounting for Property, Plant and Equipment |
| IAS 19 | Accounting for Employee Benefits |
| IFRS | International Financial Reporting Standards |
| IT | Information Technology |
| NBV | Net Book Value |
| NNDR | National Non-Domestic Rate |
| PFI | Private Finance Initiative |
| PWLB | Public Works Loans Board |
| RICS | Royal Institute of Chartered Surveyors |
| RSG | Revenue Support Grant |
| SORP | Statement of Recommended Practice |
| SeRCOP | Service Reporting Code of Practice, formally the Best Value Accounting Code of Practice |
| VAT | Value Added Tax |
| WBC | West Berkshire Council |