

Statement of Accounts 2016-17



Contents

Narrative Foreword.....	3
Annual Governance Statement	13
Independent auditor’s report to the members of Reading Borough Council	39
Statement of Responsibilities.....	45
Core Financial Statements	46
Comprehensive Income and Expenditure Statement.....	46
Movement in Reserves Statement	47
Balance Sheet	49
Cashflow Statement	50
Notes to the Accounts.....	51
Housing Revenue Account	139
Income and Expenditure Account and Movement on the HRA	139
Notes to the Housing Revenue Account.....	140
Collection Fund Account.....	147
Notes to the Collection Fund Account	149
Group Accounts.....	150
Notes to the Group Accounts	156
Glossary	166

Narrative Foreword

1. An Introduction to Reading Borough Council

Reading is a thriving and diverse town, an important commercial and cultural centre and home to over 160,000 people living in more than 70,000 households. The population has grown by 9% over the last 10 years and is expected to continue to grow.

2016/17 was a challenging year for the Council. National reductions in government grant funding, coupled with in-year service demands, led to a £4m general fund overspend, over 3.5% of the gross annual expenditure budget. Panels have been established in both Adult & Children's Social Care Services, to manage ever-increasing demands for services; and Finance staff continued to develop and embed the use of Oracle Fusion, producing more accurate and up to date financial information to assist decision making.

Looking forward, 2017/18 has a number of priority areas for Finance, most notably:

- addressing the budget gap to ensure a measure of financial stability through to 2019/2020 and beyond;
- continued improvement of financial systems, together with training to improve financial management;
- implementing the new "Purchase to Pay" processes; and
- addressing issues identified in the Annual Governance Statement.

2. Strategic Objectives

The Council's Corporate Plan for 2016/19 sets out key priority areas, namely:

- Safeguarding and protecting those that are most vulnerable;
- Providing the best life through education, early help and healthy living;
- Providing homes for those in most need;
- Keeping the town clean, safe, green and active;
- Providing infrastructure to support the economy; and
- Remaining financially sustainable to deliver these service priorities.

Progress made in delivering Corporate Plan priorities is reported to the Council's Policy Committee. The current Corporate Plan can be found at http://www.reading.gov.uk/media/4928/Appendix-1---Corporate-Plan-2016-19---Building-a-Better-Borough/pdf/Appendix_1_-_Corporate_Plan_2016-19_-_Building_a_Better_Borough.pdf.

Brighter Futures for Children

Reading Borough Council has been working closely with the Department for Education (DfE), following an Ofsted inspection in 2016, which recommended that a separate company, wholly-owned by the Council, should be set up to deliver children’s social care, early help, education and health services.

Brighter Futures for Children Limited was formally incorporated on 5 April 2018, with Deborah Jenkins MBE appointed as Chair in a joint decision by the Council, DfE and the Children’s Commissioner. The company ‘went live’ in December 2018.

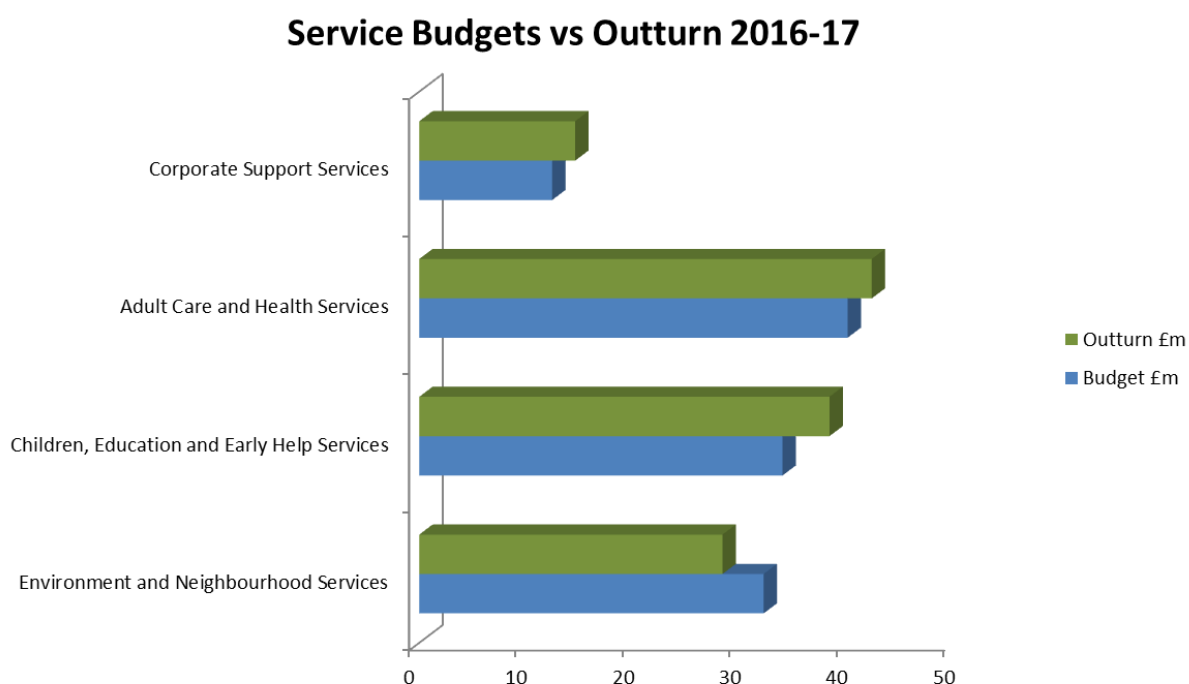
3. Financial Performance

Government funding

Over the last decade the Government has reduced local authority funding. However, in Reading the demand for many services is growing as the population increases and new responsibilities are passed onto the Council. Further reductions in funding are expected until 2019/20.

Spend on Council services and reserves

Expenditure by directorate compared to budget for 2016/17 is shown below:



Reasons for overspends were as follows:

Environment & Neighbourhood Services - The Directorate underspent against budgeted costs by £0.8m and total income was £1.7m more than expected. Remeasurement of contract charges for the waste disposal contract reduced costs

by a further £1.4m. The Directorate spend also includes the Housing Revenue Account outturn - further detail on which is shown below.

Children, Education & Early Help Services - The Directorate's budget overspent by £1.1m due to significant pressure on child care placements and the need to take on agency staff to deliver essential services. Within the Schools budget, there has been an overspend of £3.2m, mainly on high needs services, and the Council is working with parents, carers and young people to re-design these services in a way that meets need earlier and, wherever possible, delivers them locally.

The current report detailing the Dedicated Schools Grant recovery plan has been published at http://www.reading.gov.uk/media/7181/4-DSG-2016-17-outturn--DSG-2017-18/pdf/4._DSG_2016-17_outturn_DSG_2017-18.pdf.

Adult Care & Health Services - The Directorate overspent by £2.2m against budgeted costs. £1.65m of this arose as a result of current service demands on adult social care and the balance related to backdated care costs.

Corporate Support Services - The Directorate's budget was overspent by £2.1m. This mainly arose because of a shortfall between housing benefit expenditure and subsidy entitlement.

Other corporate items - The underlying treasury management position was better than forecast, with borrowing costs lower than budget and investment returns higher. However, the 2016/17 outturn position also reflects adverse items such as school buildings transferred to academies for nil return and expected settlements on equal pay claims.

Where these additional costs had been anticipated, the Council was able to draw on earmarked reserves previously set aside to meet future spending pressures.

The overall impact on General Fund balances is shown below:

	£000s
General Fund balance at 1 April 2016	9,048
Decrease in balance during the year	<u>(2,549)</u>
General Fund balance at 31 March 2017	<u>6,499</u>

Housing Revenue Account outturn and balances

The Housing Revenue Account (HRA) shows income and expenditure on Council dwellings; the table below compares 2016/17 budget and actual:

	Budget	Outturn	Variance to budget
	£ '000	£ '000	£ '000
HRA Total expenditure	42,215	39,428	(2,787)
HRA Total income	(40,175)	(41,729)	(1,554)
Net expenditure	2,040	(2,301)	(4,341)
Movement to/(from) Earmarked Reserves	-	224	224
Movement on HRA Balance	2,040	(2,077)	(4,117)
HRA balance at 1 April 2016		(21,956)	
HRA balance at 31 March 2017		(24,033)	

Overall, the HRA shows an underspend of £4.2m. Management costs were £1.0m under budget, gains on disposals of assets increased by £1.6m and £1.5m less than expected was spent on repairs. The reduction in repairs expenditure was because:

- (1) £0.6m was built into the budget for an updated heating system at Coley High Rise; this project is now not taking place;
- (2) £0.4m is slippage on improvements to flats at Hexham Road; and
- (3) the rest is made up of unused contingency budgets and other minor slippages in the planned repairs programme.

Income was £1.55m better than forecast, as rent recovery remained strong and there was a further improvement in void turnaround times.

Net expenditure decreased by £4.3m and the HRA balance at 31 March 2017 increased to £24.0m but, together with the earmarked PFI reserve balance of £9.3m, it totals £33.3m overall. Over the 30 year life of the HRA business plan we expect all these balances to be used to maintain and, where necessary, improve housing quality standards to levels that tenants reasonably expect.

Collection Fund

The Council is required to maintain a separate Collection Fund showing the amounts collected from Council Tax and Business Rates. This income is then transferred to the General Fund and Fire & Police Precepting bodies, and back to Central Government, with the Comprehensive Income and Expenditure Statement and Balance Sheet including only the Council's share of the Collection Fund transactions.

At the year end, the Collection Fund had a surplus of £5.4m (a surplus of £4.0m on the business rates element and a £1.4m surplus on the Council Tax element of the

fund). In comparison, at 31 March 2016 there had been a deficit of £6.4m (a deficit on the business rates element of £6.2m and a Council Tax deficit of £0.2m), which was taken into account in setting the budget for 2017/18.

Performance of Group Companies

Reading Transport Limited (RTL) is a fully owned subsidiary of the Council. Its year end results are consolidated within the Group accounts, (see page 150 onwards), which are required by accounting standards to exclude intra-group transactions, cash flows and balances.

The Council has four other subsidiary companies which were not consolidated because:

- Three were no longer trading and are dormant with negligible assets and liabilities; and
- The fourth was only set up part-way through 2016/17.

RTL's most recently published operating results are set out below. The company remains profitable but faces financial pressure on wages, salaries and pension costs. The Council remains committed to ensuring that RTL remains profitable in the future.

Year ended 25/09/2016 £'000	Year ended 24/09/2017 £'000
32,198 Turnover	33,964
(30,285) Operating costs	(33,158)
<u>1,913</u> Operating profit	<u>806</u>
(1,062) Other costs and income	(610)
<u>851</u> Profit before taxation	<u>196</u>
(106) Taxation	(122)
<u><u>745</u></u> Profit after tax	<u><u>74</u></u>

In order to align with Reading Borough Council's year end, RTL have provided interim accounts for the year ended 31 March 2017 (and will continue to provide accounts in future aligning with the Council's year end). These RTL accounts as at 31 March 2017 were audited by the finance team at the Council and have been used to calculate the figures and disclosures in the Group Accounts (see page 150 onwards).

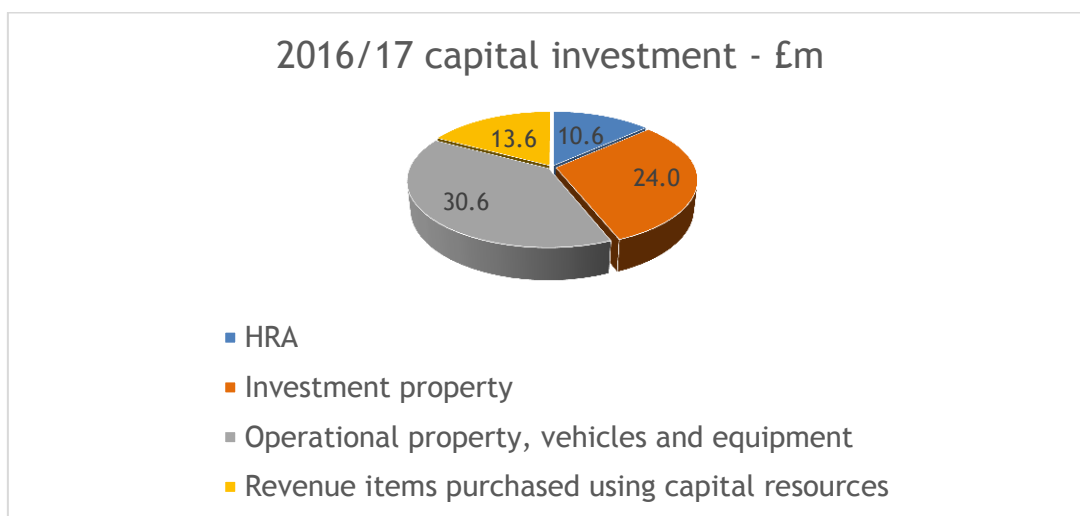
Capital Spend and Borrowing

Actual and planned capital investment for 2016/17 is set out below:

	Approved Budget £m	Actual Spend £m
HRA	12.6	10.6
General Fund	70.8	68.2
Total Expenditure	83.4	78.8

Variances between budget and actual are largely explained by slippage of expenditure (and grant funding) from 2015/16 to 2016/17 or 2016/17 to 2017/18. Capital commitments at 31 March 2017 are disclosed in note 29. The major asset acquisition in 2016/17 was a parade of commercial property on Friar Street, Reading for £24m to increase the Council's investment property portfolio.

The chart below shows the main components of the 2016/17 Capital Programme. This has been funded by a combination of capital receipts (£2.5m), Government grants and contributions (£27.5m), HRA revenue resources (£7.8m) and prudential borrowing.



Balance Sheet

The Balance Sheet is a position statement at the end of the financial year. It shows what the Council owns or is owed (assets) and owes (liabilities). The net assets of the Council are represented by various reserves that have built up over time; however, most of these reserves cannot be used to pay for day to day services and are valuation gains, or accounting adjustments, associated with the Council's asset base and pension liabilities.

31st March 2015 (Restated) £ '000	31st March 2016 (Restated) £ '000		31st March 2017 £ '000
942,640	1,015,556	Non-current assets	1,069,648
2,988	(53,767)	Net current liabilities	(100,589)
(692,110)	(670,437)	Long term liabilities and provisions	(782,817)
<u>253,518</u>	<u>291,352</u>	Net assets	<u>186,243</u>
Represented by:			
(98,329)	(90,574)	Usable Reserves	(77,229)
(155,189)	(200,778)	Unusable Reserves	(109,014)
<u>(253,518)</u>	<u>(291,352)</u>		<u>(186,243)</u>

The Council's Balance Sheet position at 31 March 2017 showed a 36% reduction in net assets. The largest contributing factor to this is a £117m increase in pension liabilities (see Para 5 below), partially offset by the acquisition of property, plant and equipment and increases in the carrying value of property and long term investments.

There have been no material write offs or impairments during the year, although new provisions have been established for backdated care costs and outstanding insurance claims. The Council has not identified any significant post-balance sheet events which would impact on the value of the Balance Sheet shown above.

4. Prior Period Adjustments

During preparation of 2016/17 accounts, errors were identified relating to accounting entries for previous years:

- in respect of Business Rates, errors were identified affecting the Collection Fund, appeals provision, creditor balances and the Collection Fund Adjustment Account;
- Infrastructure Assets had historically been depreciated on a reducing balance basis instead of the Council's stated accounting policy to depreciate such assets on a straight line basis;
- a review of the financial model amended the valuation of the liability in respect of the North Whitley estate housing concession;
- a number of assets, where there were no active plans to dispose of the asset, were incorrectly classified as assets held for sale;
- short term provisions had been included within the creditors figures in error and part of the long term PFI lease liability had been mis-classified as a short term liability;
- assets that had not been recently revalued had not been reviewed to see if the carrying value differed materially from current value. In addition, the

Council had impaired all capital expenditure where the expenditure was less than 10% of the asset value;

- depreciation had been understated on council dwellings where revaluation had reversed impairments from previous years. In addition, the basis for splitting the valuation between land and buildings had not been based on actual land values; and
- a number of properties were misclassified as investment properties as they were not being held solely to earn rentals or for capital appreciation.

As the amounts involved were considered to be material, the correction of these errors has been treated as a prior period adjustment (PPA), with the result that the comparatives for the previous year and the 2015/16 balance sheet have been restated.

The impact of these adjustments is set out in more detail in Note 2 to the accounts.

5. Pension Liabilities

The Local Government Pension Scheme for Berkshire is administered by the Royal Borough of Windsor and Maidenhead on behalf of the other Berkshire Authorities. International Accounting Standard 19 (Employee Benefits) requires pension costs, pension fund assets and future liabilities to be allocated out to employing bodies for the purposes of year end financial reporting. Therefore, there is a net pension liability in the Balance Sheet of £451m (2015/16: £334m), matched by a pensions reserve. Full details are set out in note 39.

6. Treasury Management & Cash Flow

Full details of the Treasury Management policy, the Treasury outturn report, borrowing facilities and investments are available on the Council's website at <https://democracy.reading.gov.uk/Data/Audit%20and%20Governance%20Committee/201707181830/Agenda/item9-TreasuryOutturn-2016-17-FINAL.pdf>.

As at 31 March 2017, the Council held £22m in cash and cash equivalents, slightly higher than the normal minimum for operational purposes of £10m. The main factors which impact cash are:

- acquisitions and disposals relating to the capital programme;
- use of reserve balances; and
- receipts of grants and third party contributions.

7. Financial Challenges in 2017/18 and Outlook

The Council's medium term financial modelling has been updated to reflect the four year Funding Settlement announced in December 2015. The Medium Term Financial Strategy takes into account inflation, pensions, capital investment plans and national insurance changes as well as allowances for specific and general risks, and identifies that savings of £20.8m will be needed in the financial years 2018/19 and 2019/20.

Details of the Strategy can be found on the Council's website at <https://democracy.reading.gov.uk/CeListDocuments.aspx?MID=2836&RD=Agenda&DF=17%2f07%2f2017&A=1&R=0>.

8. Service Delivery

There were no significant changes to service delivery in the 2016/17 year that materially impacted the accounts.

9. People

The Council employed a total of 4,356 individuals at 31 March 2017 (31 March 2016 4,259), including school based employees.

10. Principal Risks and Uncertainties

The Council's Corporate Risk Register is periodically presented to the Audit & Governance Committee.

11. Explanation of Accounting Statements

The Statement of Accounts has been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom. The Core Statements are:

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting treatment. There have been changes to the format of this statement this year; service expenditure is now shown broadly in line within the Council's management structure rather than by service. This is intended to ensure the published accounts are more aligned with in-year financial reporting.

The Movement in Reserves Statement (MIRS) shows the movement in year on the different reserves held by the Council, analysed into general reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or deficit on the provision of services' line links to the cost of providing Council services, as shown in the Comprehensive Income and Expenditure Statement. This is different to the statutory amounts chargeable to the General

Fund balance and the Housing Revenue Account for Council Tax and Dwellings Rent setting purposes. The 'Transfers to/from earmarked reserves' line shows any discretionary transfers to or from earmarked reserves.

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held.

The Cashflow Statement summarises the changes in cash and cash equivalents during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.

Supplementary Financial Statements are:

The Housing Revenue Account (HRA) records the Council's costs and income in its role as a housing landlord, as defined in Schedule 4 of the Local Government and Housing Act 1989 and in accordance with the HRA (Accounting Practices) Directions 2016. It shows the major elements of housing revenue expenditure: maintenance, administration, and capital financing costs and how these are met by rents and other income.

The Collection Fund shows how much Council Tax was raised in Reading during the year, and how it was allocated between the Council, Fire and Police authorities. The Collection Fund also provides details of Non-Domestic Rates collected by the Council on behalf of Central Government and the amount retained by the Council or allocated to the Fire authority.

The Group Accounts provide a Comprehensive Income and Expenditure Statement, Group Balance Sheet, Movement in Reserves Statement and Cash Flow Statement for the Council and its subsidiaries: Reading Economic Development Company, Queens Road Car Park Company, Acre Road Industrial Estate, and Reading Transport Limited.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions or balances. The **Expenditure and Funding Analysis**, set out in notes 6 and 7, is new in 2016/17. Its purpose is to reconcile the **Comprehensive Income and Expenditure Statement** to the **Movement in Reserves Statement** and to demonstrate how the statutory adjustments, listed individually in note 22, impact on specific service areas.

The Annual Governance Statement accompanies the accounts and will be signed by the Chief Executive and the Leader of the Council after being approved by the Audit and Governance Committee. This statement explains the arrangements the Council has put in place for corporate governance, which underpins the wider management of the Council's corporate governance arrangements.

Annual Governance Statement

1.0 INTRODUCTION

- 1.1 This Annual Governance Statement for 2016/17 builds upon those of previous years. It summarises key governance mechanisms and records the significant governance issues that need to be addressed over the coming year. The Council's Corporate Governance arrangements are enshrined in the Council's Constitution, which can be found on the Council's website: <http://www.reading.gov.uk/constitution>.
- 1.2 Reading Borough Council (RBC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In support of this a governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.
- 1.3 This statement also enables the Council to meet its requirements under the Accounts and Audit Regulations 2015, which requires that the Council prepares an annual governance statement.

2.0 THE GOVERNANCE FRAMEWORK

- 2.1 Corporate governance refers to the process by which organisations are directed, controlled and held to account. Major elements of this framework are to monitor the achievement of strategic objectives, manage the Council's finances and provide a framework for public engagement. The governance framework of the Council endeavours to ensure that all operations and activities are fully compliant with these requirements.
- 2.2 The Council's **Corporate Plan** provides the link between our strategic priorities and the way in which the Council operates. The Corporate Plan and the Council's budget to support the delivery of the Council's service priorities for 2016-2019 were approved by full Council in February 2016. The priorities within the Corporate Plan form the basis of our spending plans over these three years, and identify an on-going need to reduce our budget gap further. Therefore, the plan and the budget continue to be updated every year (on a rolling three year basis) to take account of the changing outlook.
- 2.3 The level of Council Tax for each financial year is set through a structured process of budget setting and review. The annual Revenue and Capital budgets are prepared by officers working with the Administration, and presented to Policy Committee for consideration before approval by the Full Council. Significant changes are subject to public consultation.
- 2.4 The overall budget and policy framework is set by the Council and all decisions are made within this framework. The medium term financial plan is incorporated as part of the Corporate Plan.

The Council's Corporate Plan can be found on the Council's website: http://www.reading.gov.uk/media/4621/Corporate-Plan-and-Budget-2016-2019/pdf/Corporate_Plan_and_Budget_2016-2019.pdf

The Council also produces a Treasury Management Strategy Statement each year, which helps it manage the Council's cash flows, lending and borrowing activities and the mitigation of the risks associated with these activities. This is also considered and approved by the Full Council as part of the budget each year.

- 2.5 Members of the public and councillors are able to ask public questions about Council business at Council meetings, Policy and service committees (which are usually webcast). Other regulations permit the inspection of the accounts being audited and related documents during the audit process.
- 2.6 In support of the framework, the system of internal control is very important 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 Constitution

- 2.7 The conduct of the Council is defined by formal procedures and rules, which are set out in the Council's Constitution.
- 2.8 All Councillors meet together at Full Council meetings which are normally open to the public. Six Council meetings took place in the 2016/17 municipal year.
- 2.9 As well as delivering statutorily-defined services to its residents, the Council also appoints a Returning Officer who is responsible for the administration of elections, referendums and other ballots within the Council's area. The Head of Legal & Democratic Services performs this role and no challenges have been received in respect of the Returning Officer's performance of his duties.

Key Statutory Officers

- 2.10 **The Head of Paid Service** (in RBC this is the Chief Executive¹) is responsible for all of the staff of the Council and for leading an effective corporate management team of directors and senior officers who focus on both strategic cross-directorate issues and operational delivery of individual service accountabilities. The Chief Executive's team of senior officers propose policy options and advise as necessary on possible action to elected councillors, who take the key decisions. The Chief Executive has overall responsibility for implementing Council priorities, managerial leadership, policy advice and the efficient and effective operation of the Council.
- 2.11 The **Interim Director of Finance** is appointed as Chief Finance Officer² (CFO) under Section 151 of the Local Government Act 1972. The CFO helps to develop and

¹ In 2016/2017 the head of paid service was the Managing Director. The Chief Executive was appointed during March 2017 and joined the Council full time in June 2017

² The Council appointed an Interim Director of Finance as CFO in October 2016; prior to that, the Head of Finance was the CFO.

implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest. The CFO is actively involved in, and brings influence to bear on, all material business decisions to ensure immediate and longer term financial implications are considered, that opportunities and risks are fully taken into account, and that there is alignment with the Council's financial strategy.

- 2.12 Furthermore, the CFO, supported by the Head of Finance, leads on delivery by the whole organisation in regard of financial management so that public money is safeguarded at all times and used appropriately.
- 2.13 The Council is required to appoint a **Monitoring Officer** and at RBC this is the Head of Legal & Democratic Services. The Monitoring Officer's functions include maintaining the Constitution, and overseeing compliance with the law and supporting the Standards Committee in the promotion of high standards of Member Conduct. The Standards Committee reported its review of the Members Code of Conduct on 30th June 2016. Whilst there have been 3 complaints about Member Conduct, involving 3 members, none of these cases required an investigation to be undertaken. The Head of Legal & Democratic Services has delegated authority to institute, conduct and where appropriate defend and settle criminal or civil legal proceedings and claims concerning the Council's responsibilities and interests, to take action to protect the interests of the Council and to give legal effect to any decision or action properly taken by the Council or a Committee or person on behalf of the Council.
- 2.14 To support the Annual Governance review, each directorate is required to complete a Directorate Governance Statement in relation to systems of internal control and governance arrangements. These are signed off by the relevant director. The directorate assurance statements demonstrate that directorates have evaluated and assessed their internal control environment to ensure controls are embedded across key areas including decision making, service planning and delivery, performance management, partnership governance and financial management.
- 2.15 These statements along with the other aspects of governance outlined have enabled the Council to conclude that it has an effective governance framework including systems of internal control, although improvements are required. One such improvement is a review and updating in 2017/18 of the Council's Code of Corporate Governance.

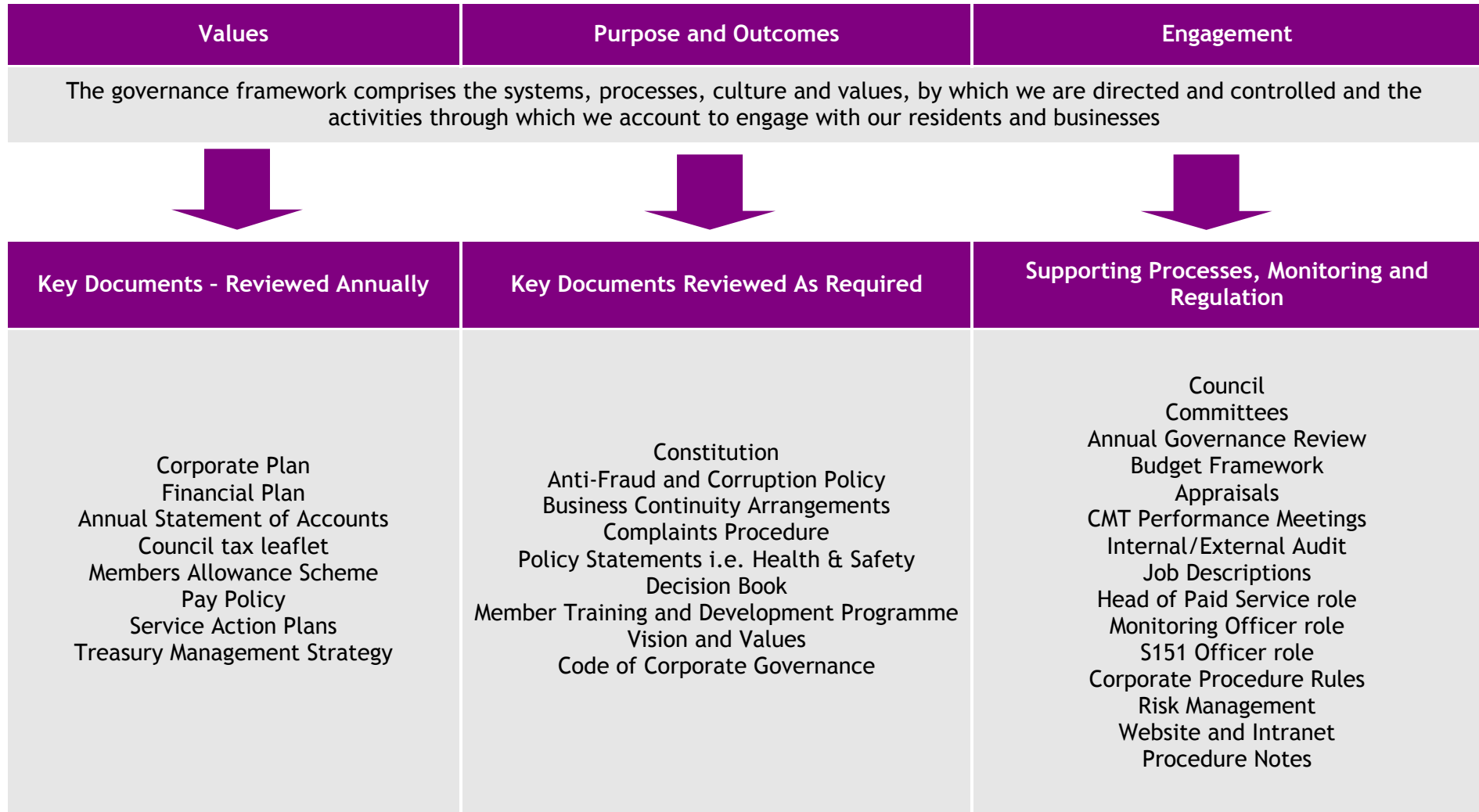
Partnership Governance

- 2.16 The Council has created a housing company, 'Homes for Reading Limited' (HfR), wholly owned by the Council with the aim of purchasing 500 residential properties to rent. HfR was incorporated as a Private Limited Company on 6th April 2016 and directors have been registered at Companies House. The HfR Board (which includes the HfR Executive Management Team, consisting of two senior council officers, 4 councillors and 2 non-executive directors, meet monthly to agree policy and processes. A Company Managing Director and Company Secretary have also been appointed.

- 2.17 The Council also owns Reading Transport Ltd (RTL - which was incorporated in 1986 to comply with the Transport Act 1985) and runs the town's bus services. The Board includes councillors, executive directors and non-executive directors and the company operates at arms-length from the Council.
- 2.18 Both HfR and RTL have formal governance structures, operate their own risk management strategy and are subject to internal and external inspection and audit, in compliance with the Companies Act (2006).
- 2.19 The Council shares a number of services with other councils, such as building control and health & safety. Each Council retains its own sovereignty and staff who work within the shared service arrangement do so through an agreement under section 113 of the Local Government Act 1972, whereby they are seconded to work on behalf of other Councils as well as continuing to work for their own employing authority.

Annual Governance Review

The following diagram outlines the Council’s governance framework around three streams of core activity - values, purpose & outcomes, and engagement:



Audit and Governance Committee

2.20 The Audit and Governance Committee is the committee charged with governance, and receives reports that deal with issues of good governance as well as those in need of improvement. During 2016/17 the Committee met in April 2016, July 2016, September 2016, November 2016 and January 2017. The Committee considers standing agenda items as well as specific items at particular times of the year, in part driven by the annual accounts preparation and finalisation and any matters that require further reporting. During the year the Committee reviewed:

- internal audit and counter fraud activity reports;
- Performance of the Internal Audit;
- Implementation of recommendations;
- Internal Audit annual plan;
- Local Audit and Accountability Act;
- staffing issues;
- External Audit annual letter;
- External Audit annual plan;
- annual statement of accounts;
- risk registers;
- Chief Auditor's annual audit opinion on internal control, governance & risk management.

Overview and Scrutiny Process

2.21 The statutory overview and scrutiny functions of the Council are exercised by individual committees in respect of the functions, services and partnerships that they cover, and by the Policy Committee in respect of functions, services and partnerships that cover more than one committee. The statutory external scrutiny functions of the Council, in respect of health, crime and disorder, and flood prevention, are delegated to individual committees.

Risk Management

2.22 It is recognised that risk management is an integral part of good governance. The Council's Risk Management Strategy Statement sets out the intended approach to risk management to be implemented by services. All councillors and officers are responsible for ensuring that risk implications are considered in the decisions they take.

2.23 The successful delivery of the Council's Risk Management Strategy depends on its ability to manage risk, rather than to eliminate it altogether.

2.24 The requirement for Health & Safety training is contained within the Council's Health & Safety Policy, whereby the training for *Heads of Service and Directors* is principally based on Business Risk Management. This enables health and safety to be integrated into the overall risk management process. In order to meet the requirements of Health & Safety Training we appointed the Council's insurers to provide strategic risk management training including health & safety, for Directors and Heads of Service during 2016/17.

Managing the Risk of Fraud

- 2.25 The financial resources available to the Council need to be maximised and used effectively, in order to help achieve the corporate strategies. One aspect to assisting with maximising available resources is to reduce the opportunity for fraud and misappropriation. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate any allegation of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution.
- 2.26 The Anti-Fraud and Corruption Strategy summarises the Council's position, building on the content of a number of corporate policy statements incorporated in the Council's Constitution, namely:
- Members' Code of Conduct;
 - Officers' Code of Conduct;
 - Whistleblowing Policy;
 - Financial Regulations; and,
 - Contract Standing Orders.
- 2.27 Procedures are available to all council managers and staff, which provide guidance on what actions they need to take in the event of becoming aware, or suspicious of, a fraud or an act of corruption being committed against the Council, either internally or externally by individuals or organisations.
- 2.28 Individual fraud cases are normally handled by the Audit & Investigations Team who mainly deal with fraud encountered in areas such as benefits schemes (e.g. Council Tax support), council tenancies, blue badges and/or social care payments. Quarterly updates are provided to the Council's Audit & Governance Committee. Although the Council administers Housing Benefit, most Housing Benefit Fraud is investigated by DWP officers, and the Council makes referrals as necessary.
- 2.29 We have no knowledge of any actual, suspected or alleged fraud affecting the Council, which would cause a material misstatement in the financial statement's either through fraudulent financial reporting and/or misstatements resulting from misappropriation of assets for 2016/2017. An incident of fraud was uncovered during a review of the Planning Department's S106 data system in May 2016, whereby Section 106 contributions for two developments, totalling £42,000, were fraudulently diverted into the personal bank account of a now former employee. The former employee was charged with offences under the Fraud Act and sentenced to two years imprisonment in August 2016. The transactions related to the 2015/16 financial year and have since been reported.

Anti-Bribery and Corruption

- 2.30 All members of staff have a responsibility to declare any offer of a gift, hospitality, benefit or service, even if the offer is not accepted. Each

member of staff is responsible for bringing any offer to the attention of their manager and for recording their offers, both accepted and declined. When an offer is received, employees need to record this in the Gifts and Hospitality Register.

Managing Finances

- 2.31 The Council complies with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Council appointed an Interim Director of Finance in September 2016 to fulfil Section 151 responsibilities; prior to this, the role was fulfilled by the Head of Finance.
- 2.32 The Section 151 Officer is a qualified and suitably experienced accountant who is responsible for the proper administration of the Council's financial affairs, and for ensuring the lawfulness and financial prudence of financial transactions. The Interim Director of Finance is a regular attendee of the Corporate Management Team meeting, with responsibility for leading and advising on the strategic financial decisions impacting on the Council's delivery of its objectives, ensuring continuing effective financial controls, risk management and leadership and management of the Council's Finance Service.

3.0 INTERNAL AUDIT AND EXTERNAL AUDIT ASSURANCE

- 3.1 The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its external auditors (Ernst & Young). The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively.
- 3.2 The role of External Audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, External Audit also audit some grant claims and provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.

Internal Audit

- 3.3 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards which have been developed specifically for the Public Sector by CIPFA. Compliance with these standards is externally assessed on a cyclical basis and is due to be undertaken in 2017/18. During 2016/17, a self-assessment of compliance was undertaken and no significant areas of non-compliance were found.

- 3.4 One of the assurance statements the Council receives is the annual opinion of the Chief Auditor in respect of the control framework. The opinion of the Chief Auditor in respect of audit work completed in 2016/17 is that **limited assurance** can be taken that arrangements to secure governance, risk management and internal control within those areas audited, are suitably designed and applied effectively.
- 3.5 Those audits which received limited (or no assurance opinions), are set out below:
- Information Governance
 - Subject Access Requests
 - Corporate Governance Framework
 - Electronic Document & Records Management
 - Nursing & Residential Care Packages
- 3.6 Those key financial systems and processes which received limited assurance, are as follows:
- General ledger
 - Bank & Cash Reconciliations
 - Accounts receivable
 - Accounts payable

External Audit

- 3.7 The Council's external auditor for the 2015/16 accounts, Ernst & Young (EY), issued an adverse value for money conclusion on 17 November 2016. This means that they had concerns over the Council's arrangements for securing financial resilience and for how it secures value for money in its use of resources.
- 3.8 Although they did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statements and which the Council does not know about, they found that some of the basic financial controls were not working as expected. In particular, the regular completion of reconciliations was not timely. This increased the risk of fraud errors remaining undetected.
- 3.9 They highlighted that the financial and performance information used by the Council is not always accurate and reliable and therefore did not help informed decision making. Furthermore EY commented that planned action had not been taken to achieve sustainable savings during 2015/2016 that may have prevented the need for significant savings to be made as a matter of urgency in the 2016/17 budget.
- 3.10 EY made statutory recommendations in February 2017 under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014 by way of a letter calling for sustainable resource deployment in relation to the immediate and medium term financial position of the Council and the need

for robust budget monitoring. The Council formally considered and approved an officer response to these recommendations at its February 2017 meeting and progress towards addressing the recommendations is being monitored by the Audit & Governance Committee.

Audit Opinion

- 3.11 EY issued an unqualified opinion on the Council's 2015/16 financial statements on 17 November 2016. This means that they believe the 2015/16 financial statements (as amended following audit) gave a true and fair view of the financial position of the Council and of its expenditure and income for that year. EY's audit of the financial statements identified various adjustments to the draft accounts which the Council agreed to make. Some adjustments were not material and were impractical to make and this was reported to the Committee. The adjustments did not affect the usable resources as reported in the draft accounts. The audit raised recommendations to improve controls over bank and housing rent account year end reconciliation procedures and IT controls over applications and infrastructure. The Council has been addressing these recommendations.

Annual Governance Statement

- 3.12 EY reviewed the Annual Governance Statement for 2015/16 and concluded that it was sound, consistent with the principles of the CIPFA/SOLACE Framework and correlated with their understanding of the governance arrangements of the Council.

Whole of Government Accounts

- 3.13 EY review and report to the Department of Communities & Local Government (DCLG) and the National Audit Office on the Council's Whole of Government Accounts return. The extent of their review is specified by the National Audit Office. EY reported to the Audit & Governance Committee in January that they had completed this work (and agreed the final return).

4.0 KEY GOVERNANCE CHALLENGES

- 4.1 We continue to monitor and manage our service delivery as part of good governance within the Council. Whilst some actions reported in the 2015/16 Annual Governance Statement have been addressed during 2015/16, with no significant residual issues, the majority remain as work in progress:
- i. A financial sustainability plan was submitted to Government on 14 October 2016, setting out the process for achieving sustainability. A lawful budget was set for the 2017/18 financial year at the meeting of Council on 21 February 2017 but it required significant use of reserves and one off measures. It therefore included a requirement to identify actions to address the remaining financial gap in 2017/18 to 2019/20 by the second quarter of the 2017/18 financial year. Officers have

- proposed recommendations to the Policy Committee in July 2017 to address these requirements.
- ii. Work is ongoing to further develop the financial support to the Council. The Budget Managers Handbook has been completed and made available to budget holders. The service provided by Corporate Finance is under review to ensure the Council's needs are met.
 - iii. The Council developed a Learning and Improvement Plan for Children's Services following the Ofsted Inspection in June 2016 when the Council's Children's Services were judged by Ofsted to be 'inadequate' (see section 5). The progress and performance against the plan is monitored by the independently chaired Children's Services Improvement Board on a monthly basis. The Board receives a comprehensive performance dataset and highlight report (with RAG status) focused on the 18 outcome areas, as well as an update of the Plan setting out the current position.
 - iv. The Council has put in place a governance structure and provided operational expertise and resource for Health and Safety.
 - v. During 2016/17 the Council introduced and monitored arrangements to ensure an efficient and effective handover for senior management, particularly related to the role of Managing Director during 2016/17. This culminated in the appointment of a new Chief Executive (as Head of Paid Service) in March 2017. The Interim Managing Director's contract ended at the end of March and the Director of Environment & Neighbourhood Services agreed to take on the role of Acting Chief Executive for the short period between then and the arrival of the new Chief Executive in June 2017.
 - vi. The Adult Social Care Transformation (ASC) programme continues to evolve in line with service priorities and the financial challenges of the Council. In 2016/17 the Programme delivered approximately £1.4 million savings. For 2017/18, the programme will be aligned to the new ASC strategy and will form part of the overarching delivery plan. In addition the service will continue to maximise any synergies with the Better Care Fund to ensure that best use of limited resources is made and solutions to address the challenges faced across the health and social care landscape are developed.
 - vii. Resource panels have been established in Adult and Children's Services to manage demand and ensure appropriate service provision, delivering services within statutory requirements and operating within budget.
 - viii. Key information governance issues have been addressed and continue to be implemented. The Council's IT policies have been updated and rolled out, and the Protocol Policy, which is soon to be rolled out, will for the first time introduce a dynamic IT policy system into the Council's compliance regime. Automatic Document Marking for all emails was rolled out in March 2017. Projects to meet the next step of Payment Card Industry Data Security Standards and connect to the health service over their N3 network are ongoing.

- ix. A project gateway approach for all ICT and digital projects has been introduced via the Digital and ICT Board and a review of the governance arrangements. This is working well. Towards the end of 2016, a Delivery Unit was set up in Corporate Support Services which is developing a Council-wide Change Programme. This incorporates robust governance arrangements for programme and project management across the Council.
- x. Following the S106 fraud (see paragraph 2.35), new processes have been introduced to improve control over income. In addition, a new S106 data system has been installed. In due course, it is anticipated that the new system can link directly to Oracle Fusion, the Council's main finance system, as this will be the most efficient way of monitoring receipts.
- xi. Work has been undertaken to deal with changes to the IR35 Regulations from 6 April 2017, which altered the way tax and National Insurance was paid if someone was contracted to work for a client through an intermediary (commonly affecting agency and interim staff engaged by the Council). IR35 could significantly alter the costs of some placements and could drive a renegotiation of charge rates. Positions potentially affected by the change were identified and managers worked with HR to make an assessment of whether or not workers were within the scope of the Regulations.

5.0 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 As part of continuing efforts to improve governance arrangements the following issues, as highlighted in this year's Annual Governance Statement, have been identified for improvement.

Children's Services

- 5.2 In August 2016, Ofsted issued an inspection report on services for children in need of help and protection; children looked after and care leavers and a review of the effectiveness of the Local Safeguarding Children Board. It concluded that children's services in Reading were inadequate and found serious, persistent and systemic failures in the services provided to children who need help and protection. The inspection found that children are left too long in situations of unknown and acute risk. The report also found leadership, management and governance to be inadequate and that instability in the senior leadership team had impeded progress in addressing identified weaknesses in services for children and families.
- 5.3 The Council accepted the findings of the Inspection and developed an Improvement Plan as a response to it, supported by the appointment of a Commissioner for Children's Services. The Council also reports performance against the actions in the Improvement Plan, to the Adult, Children and Education Committee, three times a year.

- 5.4 Following the Ofsted Inspection, the Council re-organised its Children's Services Leadership Team. A new operating model for Children's Social Care had been implemented in August 2016. This included an increase in the overall establishment of social work posts, to create an effective and affordable children's services structure for Reading, which will enable the delivery of safe and effective services to meet local need.
- 5.5 Moving forward a key objective within the Learning and Improvement Plan is to increase the number of permanent (compared to agency) social care staff across the service. The Directorate is reviewing its workforce development strategy, including its approach to recruitment and retention in Reading's Children's Services, to secure a permanent and competent children's services workforce to deliver responsive and safe services.
- 5.6 To address the collective need for cost avoidance and improvements to the Directorate a project has been initiated to create a single co-located Access to Resources Team (ART). The objective is the realignment of functions across Children's Services and Commissioning into a single team with a clear governance and accountability structure that addresses permanence for children within the financial constraint of the Council whilst delivering value of spend across Children's Services. The project commenced on 1st April 2017.

Interim & Agency Staff

- 5.7 During 2016/17 the Council made particularly significant use of interim & agency Staff, including several roles within the Corporate Management Team, The Council is in the process of replacing as many of these interim staff with permanently employed staff as possible, as quickly as practicable. This will reduce costs and deliver more stability in leadership and at practice level.

Financial Challenge

- 5.8 The Council has developed a financial strategy, which allowed a legal budget to be set for 2017/18. However, this is achieved in part through the reliance on £11m reserves, which necessitates using all but critical reserves. This means that the S151 Officer concluded that reserves are no longer adequate and has recommended that these reserves be rebuilt over the medium term to a more sustainable level. The Budget Report identifies there is a residual gap in the baseline budget in 2018/19 and 2019/20 currently estimated as £18.7m, which needs to be closed through the development of budget proposals by quarter 2 of 2017. £13.7m of this gap is in 2018/19.
- 5.9 Savings proposals for 2017/18 in particular have been through a process to ensure directors, CMT and lead members can be assured of their deliverability. However, the level of detail of savings plans does vary, as

does the use of profiling for budgets. Regarding one off solutions, it is agreed that these should be avoided wherever possible. Agreed savings are supported by a delivery plan, and until the saving is delivered, responsible officers are required to report monthly on the delivery plan on a RAG basis. A revised and strengthened monitoring process was put in place from 1st April 2017, which will ensure that budget monitoring and RAG savings reviews are consistently reporting the same information.

5.10 Delivery of a robust Medium Term Financial Strategy for the period 2017/18 to 2019/20 requires a number of success factors:

- i) Thorough review of underpinning assumptions to ensure that they are prudent;
- ii) Identification of new proposals for delivering savings, income or efficiencies;
- iii) Commitment from councillors and officers to accept and deliver robust proposals;
- iv) A culture of sound financial management that recognises that each £ of expenditure must deliver full value and that every £ of income must be collected.

Internal Controls

5.11 During 2016/17 Internal Audit expressed limited assurance over particular and individual systems of internal controls which resulted in a number of systems improvements to further strengthen financial and operational controls:

- *General Ledger* - There is a lack of clear documented business processes and identification of responsibilities that identify and describe the operation of some of the feeder systems and the requirements for data input on a manual or spreadsheet basis. The input of unstructured or poor quality data from feeder systems (particularly the linked AP system) increases the need for remedial action in the General Ledger in the form of journal activity. The creation and approval of journals is a single person process and there are poor audit trails to support some transactions.
- *Accounts Payable* - The Council is not actively managing its procurement of goods and services through the Accounts Payable system. In part this creates an unnecessary level of administrative delay by not effectively managing its supplier database. There is no formal accreditation process for the majority of suppliers who are chosen by the manager making the order. The data on the system is mainly unstandardized and of a poor quality and obstructs timely analysis of procurement options and management reporting on and analysis of procurement activity. Resources are unnecessarily utilised to support a system that incorporates a large amount of “one off” purchasing activity in terms of purchase orders and suppliers, which in turn generates an unnecessarily

high volume of low value transactions that puts time pressures on paying suppliers. The Council is considering how to effectively streamline these processes and make them more robust.

- **Bank & Cash Reconciliations** - The regular completion of reconciliations was not timely in 2016/2017, there is no centrally held list of the control account reconciliations and no process in place to ensure these are completed in a timely way. The bank account reconciliation had not been kept up to date and unreconciled items need to be cleared. The Interim Director of Finance has confirmed that the Finance Service is committed to bringing the bank account reconciliation up-to-date and for it to be completed on a monthly basis going forward. Lessons are being drawn out to ensure that the reconciliations for 2017/18 can progress in a timely manner.
- **Accounts Receivable** - Services are not (always) raising invoices promptly or providing sufficient detail on invoices, which in turn affects effective collection performance, as Income & Recovery staff also have to act as intermediaries when accounts are queried by customers. There are different procedures in place for the monitoring and chasing of unpaid invoices with no apparent consistency, priority or direction as to the work of Income & Recovery staff and in particular the order that accounts are worked on.
- **Nursing & Residential Care Packages** - There needs to be an improvement in audit trails to better evidence placement decisions made by the Adult Funding Panel and to improve procedures to ensure care packages are reviewed annually to comply with statutory review processes. The Adult Social Care Transformation Team has been working to improve the function of the Adult Funding Panel process.
- **Information Governance & Data Protection** - The audit highlighted a need to improve governance structures to evidence the effective management of information governance and data protection to meet evidence based accreditation programmes like PCIDSS³ for credit card use and N3⁴ for Health Service connectivity. The Head of Customer Services has confirmed that action is being taken to improve governance in this area including revised policies and procedures, enforced document marking, identification of Information Asset Owners and staff training.
- **Subject Access Requests** - Under the Data Protection Act 1998, individuals have a right to access information held about them by any organisation that processes personal data. There was a lack of a consistent policy and procedure which could be applied to subject access requests. The Council's Employment and Information Solicitor has confirmed that different routes of access have been merged into a single route, which will be co-ordinated and monitored via Legal Services. A

³PCI DSS is the Payment Card Industry Data Security Standard, that was set up to help businesses process card payments securely and reduce card fraud.

⁴N3 is the National Network for the NHS. Public health intelligence teams based in local authorities need to be connected to N3 in order to fulfil their function.

new policy and procedure has been implemented and key officers are being trained by Legal Services.

- *Electronic Document & Records Management* - The Council uses an Electronic Document Records Management system which offers considerable savings in paper handling and associated processes. Current internal processes to collect and manage the transportation of paper documents for scanning do not provide sufficient guarantees that documents will be safely accounted for and are in need of strengthening to protect the Council from the risk of data loss. The Business Systems Support Team is progressing with the work to redesign the overall service provision including the arrangements for the secure transfer of hard copy documents.
- *Corporate Governance* - a review was conducted of the Council's governance arrangements, including consideration of the ownership, completeness and currency of documentation that the Council is required to hold, publicise and periodically review in relation to its governance arrangements. A number of corporate governance processes were found to be in need of improvement, with a number of key documents out of date and not communicated to staff on commencing employment with the Council or on a regular basis during their employment.
- *Risk Management* - While risk management techniques are deployed, they have been less than robust at the strategic level throughout 2016/17, and need to be improved going forward. Risks have always been managed, but risk registers need to be updated more frequently at directorate and Corporate Management Team level.

Compliance

- 5.12 A theme through a number of the significant governance issues is a lack of compliance. That is, the Council has in place, in most areas, an appropriate set of governance arrangements yet these are not followed leading to weaknesses in internal controls. This produces a heightened risk of fraud, corruption &/or poor value for money with the consequent negative reputational impact. During 2017/18 in addition to improving systems and processes themselves, attention will be paid to professional practice and compliance to drive up standards.

6 CONCLUSION AND PRIORITIES FOR IMPROVEMENT

- 6.1 The annual review of governance provides evidence of how effective our governance framework is and as a result, we have put in place an implementation plan shown in Appendix A. Over the next year we will be taking steps to continue to improve what we do, especially focussed on the significant governance issues.
- 6.2 We are satisfied that these steps will bring about the improvements that we identified in our review of effectiveness, and we will monitor these improvements as part of our next annual review.

Peter Sloman, Chief Executive

Cllr Jason Brock, Leader of the Council

July 2019

On behalf of the members and officers of Reading Borough Council

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
1.	Prepare and agree a robust and deliverable Medium Term Financial Strategy for the period 2017/18 to 2019/20.	Development of a robust MTFS for 2017/18 to 2019/20	Revised MTFS being presented to Policy Committee on 17 July 2017, with further work on robustness and delivery planned.	July 2017	Reports prepared for Committee showing balanced positions for 2017/18 and 2018/19. More work required to balance 2019/20	Director of Finance
2.	Prepare and deliver a robust savings monitoring programme to ensure that savings are delivered and/or adjusted according to a strong governance process.	Implementation of a more robust budget and savings monitoring regime overseen by the Corporate Programme Delivery Group	Corporate Programme Delivery Group now oversees robust savings monitoring regime. Changes to the proposals are monitored and controlled.	May 2017	Implemented and now embedding	Head of Customer Services
3.	Put in place a robust regime for the reconciliation of control accounts on an ongoing basis.	EY recommended that a centrally held list of reconciliations should be kept, so this should be implemented by creating (and keeping up to date) such a list	Most reconciliations have been done to 31 March 2017, but the list has not yet been established	List in place and status recorded of all reconciliations by 31 Aug 2017	In progress - list being started	Head of Finance (with Chief Technical Accountant)

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
4.	Ensure that Children's Services has an appropriate level of resources and that there are processes in place to monitor the resource allocated to the service and the achievement of service improvements required.	<p>Additional resources have been added to the Finance Team supporting Children's Services this includes the appointment of the Interim Directorate Accountant from the end of November 2016, secondment of the Senior Analyst to the Team from March 2017, and now access to an Interim Senior Analyst. This was to enable improved monitoring of the Children's Services budgets. As well as overall improvements to monitor budgets and improving the relationship between Children's Services and Finance.</p> <p>Key monitoring piece of work is LAC Modelling and the development of the MOSAIC system.</p>	<p>DCEEH DMT have a clearer understanding of the Children's Services budgets and the implementation of the MTFS for Children's Services was completed with the full involvement of DMT.</p> <p>The accounts closure process has impacted the process of the introduction of further improvements Now closure has been completed the improvements can gather pace again.</p>	<p>June 2017</p> <p>September 2017</p>	<p>Partly achieved, further improvements depend upon Team resourcing</p> <p>Not yet started</p>	Director of Finance
5.	Further develop the financial culture of the Council.	<p>A revised budget management handbook will be made available and it is planned to have some training sessions to launch and embed it.</p> <p>CMT will further scrutinise</p>	<p>Revised handbook was published in April 2017.</p> <p>Training sessions are being planned for September 2017.</p>	<p>April 2017</p> <p>September 2017</p>	<p>Complete</p> <p>In planning</p>	Director of Finance

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
		financial information and seek to lead by example in terms of the culture.	CMT already scrutinises finance and performance information, but will undertake more intense investigation to ensure that expenditure is delivered in line with the budget.	June 2017 (first monitoring for 2017/18)	Commenced	
6.	Children's Services: Meet the objectives within the Learning and Improvement plan for Children's Services following the Ofsted Inspection in June 2016.	A detailed action plan has been prepared, that is monitored by ACE Committee	Actions are in various states of progress - see most recent report to ACE	Various to 31/3/18 and beyond	In progress	Director of Children's, Education & Early Help services
7.	Replacement of agency and interim staff with permanently employed staff.	Staff in post on permanent appointments wherever possible	Recruitment Drive underway in Children's Services to attract and retain SW and management staff. In other areas, initial scoping work has been done and there would be little in the way of realisable savings.	30 September 2017	In progress	Head of Legal and Democratic Services
8a.	Internal Controls: <i>General Ledger</i> - detailed action plan in response to Internal Audit findings to be completed and delivered.	Action Plan has been drafted for review setting out in detail how each recommendation will be addressed in the short and medium term	Actions contained within the action are being progressed; the highest priority recommendations are being addressed in the shortest timescale	August 2017 for high priority October 2017 for medium and low priority	Actions underway; none yet complete	Financial Systems Manager

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8b.	Internal Controls: <i>Accounts Payable</i> - detailed action plan in response to Internal Audit findings to be completed and delivered.	<p>1. Specialist Payments Team Change Manager to be appointed.</p> <p>2. Change Manager to review AP Audit Management Action Plan and complete Management Response, Response Person and Target Date plus create detailed supporting implementation plan that addresses all points raised and integrates solutions with introduction of upcoming supplier portal</p>	<p>Interim Accounts Payable Change Manager Appointed</p> <p>Documents reviewed by Change Manager and commented</p> <p>Summary top level run through completed with Accounts Payable team</p> <p>Balance of actions o/s</p>	<p>5 June 2017</p> <p>8 June 2017</p> <p>9 June 2017</p>	Actions commenced, but further actions to be completed within four months	Accounts Payable Change Manager
8c.	Internal Controls: <i>Bank Reconciliation</i> - regular completion of timely reconciliations throughout the year	<p>A revised properly structured procedure will be put in place to complete the bank reconciliation, with proper "walk through" possible</p> <p>Bank account reconciliation completed in timely way and reviewed by a senior officer on a monthly basis, within the month</p>	<p>Considerable work has been done to identify the weaknesses of the existing process (substantially by the Treasury & VAT officer, under the guidance of the Interim Chief Accountant</p> <p>This has identified the need to change some of the processes, and a revised process will now be put in place</p>	Process in place from July with suitable "back entries" for months up to July 2017	Work commenced and in Progress	Head of Finance

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8d.	Internal Controls: <i>Information Governance & data protection</i> Improve governance structures to mitigate risk of breach of data protection legislation	Revised procedures, improved training and awareness	Ongoing training to staff and improved breach reporting procedures has meant that more mitigation is in place. Work is underway to ensure that the Council is compliant with the new General Data Protection Regulation (GDPR) when it comes into force in May 2018	Dec 17	In progress	Head of Legal & Democratic Services
8e.	Internal Controls: <i>Subject Access Requests</i> Under the Data Protection Act 1998, individuals have a right to access information held about them. A consistent policy and procedure should be applied to subject access requests.	Different routes of access have been merged into a single route, which will be co-ordinated and monitored via Legal Service A new policy and procedure has been implemented and key officers are being trained by Legal Services	Training has been delivered to key service areas and teams who are likely to come in contact with SARs.	31 March 17	Complete	Head of Legal & Democratic Services
8f.	Internal Controls: <i>Electronic Document & Records Management</i> - Internal processes to collect and manage the transportation of paper documents for scanning must provide sufficient guarantees that documents will be safely accounted for	The Business Systems Support Team is progressing with the work to redesign the overall service provision including the arrangements for the secure transfer of hard copy documents	A range of process and procedure improvements have been implemented to increase in internal controls and safeguards. Choice of courier used is to be reviewed. Individual information Asset	31 Dec 2017	In Progress	Head of Customer Services -

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
	and protect the Council from the risk of data loss.		Owners will need to periodically assure themselves that arrangements for transfer of documents are appropriate for the nature of the data they include.			
8g.	Internal Controls: <i>Accounts receivable</i> All services raise invoices promptly and provide sufficient details on invoices to improve collection performance	Refreshed procedures are being written up to accurately reflect the procedures we have in place for raising, monitoring and chasing of unpaid invoices. These procedures will be re-launched and shared with other service areas, to ensure the quality of information provided on invoices is improved.	We are currently working on a proposal to recommend with the validation from internal audit, a significant change to the way invoices are being raised currently. Whereby directorates/services would forward details of potential invoices to Income & Recovery for the team to then raise centrally. This could have several potential advantages for the Council and could improve the efficiency and effectiveness of income collection and recovery. This proposal is to be further investigated and presented to CMT for discussion in the near future.	31 August 2017	In progress	Head of Customer Services/Head of Finance

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8h.	Internal Controls: <i>Nursing & residential care packages</i> > Improve audit trails to provide better evidence of placement decisions made by the Adult Funding Panel.	Alternative support options are considered and tried in some cases before requests for long term placements are made, an example being the rehab beds at the Willows. There is a clear audit trail for those individuals presented at panel, out of panel decisions also have an audit trail - these decisions relate mainly to hospital discharges. Evidence for placement and justification for decision is clearly recorded. The panel has representation from commissioning who contribute to the decision making process.	These are clearly recorded; an audit of the panel proformas and decision log will be completed to ensure compliance with the process annually.	Ongoing	Green	Director of Adult Services
	Improve procedures to ensure care packages are reviewed annually to comply with statutory review process	Reviews are recorded in mosaic, this generates a review date. Managers run reports from Mosaic to monitor performance and compliance.	Review project in place to support compliance with reviews. Reports run for managers to review evidence of performance.	Ongoing	Amber	
8i.	Internal Controls: <i>Corporate Governance</i> Improve a number of corporate governance processes, update key	The officers code of conduct will be reviewed and updated to ensure it reflects current practice and requirements Review Code of Corporate	Code of Conduct currently being updated (June 2017). It will be considered at CMT before going on to LJF and Personnel Committee for	30 September 2017	On going	Head of Legal and Democratic Services

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
	documents and communicate to staff on starting employment with the Council or on a regular basis during their employment.	Governance Use of NetConsent to roll out key policies and procedures	formal approval.			
8j.	Internal Controls: <i>Strengthen and embed the processes for the management of risk.</i> Current deployment is not robust enough for risk management to be a key influence in decision making	Develop the current directorate risk registers specifying the owner of each action	Risk action plan updated for 2017/18. Directorate risk registers programmed in for quarterly discussion at DMTs. Strategic risk register programmed in for quarterly review at CMT. Level 4 Risk Management training, supplied by Council's insurers being scheduled for senior officers.	1 st April 2017 31 Dec 2017	Complete Ongoing	Director of Finance
8k.	Internal Controls: <i>Compliance</i> An appropriate set of governance arrangements exist yet these are not followed rigorously which then allows weaknesses in internal controls.	Attention will be paid to professional practice and compliance to drive up standards, as well as cultural change efforts in terms of the operation of the council.	Through the development of the AGS and actions plans such as this one, plus an appropriate focus on discipline and good governance then improvements will be made. More formal interventions in terms of organisational development will be required in due course.	May 2017 September 2017	Developing and ongoing Requires planning	Director of Finance

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
9.	Develop a clear & consistent strategy or procedure for advising new and existing staff of their responsibility to declare interests and register gifts of hospitality.	Designation of officers in each Directorate to hold registers. Recommunication of expectations on staff.	Each Director will be asked to nominate an individual in their area to hold the register. There will be communication and NetConsent approval to remind all staff of what to declare, why and to whom.	31 October 2017	ongoing	Head of Legal, HR & Democratic services
10.	Align performance reporting processes to ensure CMT is fully sighted on organisational health and performance.	New framework in place and embedded with regular review meetings scheduled for 2017/18	Regular meetings are in place for reporting and performance however, it is proposed to review and refresh framework during 17/18	End July 2017	ongoing	Head of Customer Services

The original Annual Governance Statement was compiled in the Spring of 2017. Due to the length of time taken to give the audit opinion on the 2016-17 financial statements, the status of the management actions is now different to that detailed in the above 2016-17 Annual Governance Statement Implementation Plan. For further information on the implementation of the Management Action plans see the agendas for the Audit & Governance Committee meetings on the Reading Borough Council website.

In particular, agenda item 7 at the meeting of the Audit & Governance Committee on January 25th 2018 gives a further update on the progress of these management actions - <https://democracy.reading.gov.uk/CeListDocuments.aspx?MID=2933&RD=Agenda&DF=25%2f01%2f2018&A=1&R=0>

Independent auditor's report to the members of Reading Borough Council and Group

Opinion

We have audited the financial statements of Reading Borough Council and Group for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Reading Borough Council and Group Comprehensive Income and Expenditure Statement;
- Reading Borough Council and Group Movement in Reserves Statement;
- Reading Borough Council and Group Balance Sheet;
- Reading Borough Council and Group Cash Flow Statement;
- Related Notes 1 to 43;
- Related Group Notes 1 to 5;
- Housing Revenue Account;
- Related Notes 1 to 11;
- Collection Fund Account; and
- Related notes 1 to 3.

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 2016/17.

Qualified opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of Reading Borough Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended, except for the following areas: short-term creditors; short-term debtors; comprehensive income and expenditure statement; and IAS 19 scheme assets;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of Reading Borough Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion except for the areas as outlined below.

During the audit we identified a number of significant control deficiencies which included, for example, no journal controls, no control account or bank and cash reconciliations and no clear control over the year-end financial closedown processes.

We have not been able to obtain sufficient appropriate compensating audit evidence in relation to the following areas: short-term creditors; short-term debtors; IAS 19 scheme assets and the following lines

that make up the cost of services part of the comprehensive income and expenditure statement: Adult Care and Health Services; Corporate Support Services; Children, Education and Early Help Services; Environment and Neighbourhood Services and Housing Revenue Account. Given the material uncertainty in these areas and the fact that we have been unable to obtain the required level of assurance, we cannot form an opinion on the material correctness of these accounts.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Narrative Report set out on pages 3 to 12, other than the financial statements and our auditor's report thereon. The Executive Director of Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Qualified conclusion Adverse

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2016, we are not satisfied that, in all significant respects, Reading Borough Council and Group put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

In respect of the following we have matters to report by exception:

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014.

Under Section 24 of the Local Audit and Accountability Act 2014, we may designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

On 2nd February 2017 we issued a report containing recommendations concerning the Authority's corporate governance designated under Section 24 Schedule 7(2).

Responsibility of the Executive Director of Resources

As explained more fully in the Statement of the Executive Director of Resources Responsibilities set out on page 40, the Executive Director of Resources 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 2016/17 and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Executive Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of 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 National Audit Office (NAO) 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 Comptroller and Auditor General (C&AG) in November 2016, as to whether the Reading Borough Council and Group 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Reading Borough Council and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Reading Borough Council and Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for Adverse Conclusion

Informed decision making:

- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance information

We found that the financial and performance information used by the Council is not always accurate and reliable and therefore did not help informed decision making.

- Reliable and timely financial reporting that supports the delivery of strategic priorities

We found that the financial reporting was not reliable throughout 2016/17.

- Maintaining a sound system of internal control

We found that some of the basic financial controls were not working as expected, for example, the regular completion of reconciliations is not timely, the year-end bank reconciliation did not balance and

there were no control procedures over the production or posting of journals during financial year 2016/17. This increases the risk of fraud and errors remaining undetected.

Sustainable resource deployment

- Planning finances effectively to support the sustainable delivery of strategic and maintain statutory functions

We found that the action to achieve sustainable savings during 2016/17 did not deliver the required savings. The 2016/17 outturn was an overspend of circa £7.5million and required the use of reserves to balance the budget. The Council were also predicting the use of reserves in 2017/18.

- Children's Services

In August 2016, Ofsted issued an inspection report of services for children in need of help and protection; children looked after and care leavers and a review of the effectiveness of the local safeguarding children board.

It concluded that Children's services in Reading are inadequate and found serious, persistent and systemic failures in the services provided to children who need help and protection. The Inspection found that children are left too long in situations of unknown and acute risk.

The Council accepted the findings of the Inspection and put in place procedures to improve performance. Ofsted have monitored progress since the issue of its initial a report and in its update letter, issued in June 2017 concluded that the Council was not making the expected progress in improving services for its children and young people.

- Section 24 recommendations

We issued recommendations under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014. The Council have developed an action plan to monitor progress against the recommendations. We have reviewed the actions taken and concluded that whilst the Council have a challenge on both the financial position and strengthening their controls and processes, there are signs of improvement:

- more robust financial monitoring;
- clearer reporting and more consistent messages on the position;
- detailed savings plans which have been discussed and agreed with Members; and
- work continues on the financial position and reporting.

However deficiencies in the systems of internal control remain.

Adverse conclusion

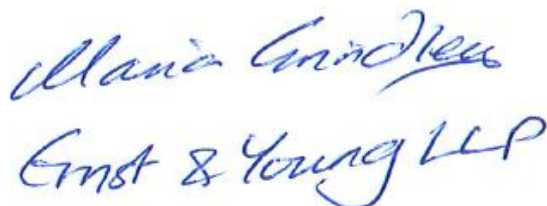
On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are not satisfied that, in all significant respects, Reading Borough Council and Group put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Reading Borough Council and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Reading Borough Council and Group, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Reading Borough Council and Group, and Reading Borough Council and Group's members as a body, for our audit work, for this report, or for the opinions we have formed.



The image shows a handwritten signature in blue ink. The signature reads "Maria Grindley" on the top line and "Ernst & Young LLP" on the bottom line.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
19th July 2019

The maintenance and integrity of the Reading Borough Council and Group web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, for 2016/17, the Chief Financial Officer was the Head of Finance up to 6 October 2016 and the Interim Director of Finance continued until 26 March 2018 when the current Director of Resources took up the position;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- arrange for the approval of the Statement of Accounts at the conclusion of the audit; in this Council, the approval is delegated to the Audit and Governance Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with The Code.

The Chief Financial Officer has also:

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

Approval of the Accounts

The financial statements, and accompanying notes, including the Housing Revenue Account and the Collection Fund set out on pages 46 to 165, have been prepared and published in accordance with the Accounts and Audit Regulations 2015.

Jacqueline Yates
Executive Director of Resources
July 2019

Cllr David Stevens
Chair of Audit & Governance Committee
July 2019

Core Financial Statements

Comprehensive Income and Expenditure Statement

Gross expenditure £ '000 (Restated)	2015/16 Gross income £ '000 (Restated)	Net expenditure £ '000 (Restated)		Gross expenditure £ '000	2016/17 Gross income £ '000	Net expenditure £ '000
70,862	(27,487)	43,375	Adult Care and Health Services	67,919	(23,688)	44,231
118,422	(95,077)	23,345	Corporate Support Services	111,699	(94,621)	17,078
162,326	(109,947)	52,379	Children, Education and Early Help Services	168,096	(105,371)	62,725
110,118	(35,169)	74,949	Environment and Neighbourhood Services	133,732	(41,234)	92,498
(22,645)	(42,070)	(64,715)	Housing Revenue Account	11,223	(41,673)	(30,450)
439,083	(309,750)	129,333	Cost of Services	492,669	(306,587)	186,082
		3,312	Other Operating Expenditure (Note 10)			5,368
		26,248	Financing and Investment Income and Expenditure (Note 11)			24,700
		(142,987)	Taxation and Non-specific Grant Income and Expenditure (Note 12)			(155,076)
		<u>15,906</u>	(Surplus)/deficit on provision of services			<u>61,074</u>
			Items that will not be reclassified to the surplus or deficit on provision of services			
		(158)	Valuation (gains)/losses in Fair Value of investments			648
		(18,265)	(Surplus)/deficit on revaluation of non current assets			(57,882)
		(35,317)	Actuarial gains/(losses) on pension assets/liabilities			101,269
		<u>(53,740)</u>	Other Comprehensive Income & Expenditure			<u>44,035</u>
		<u>(37,834)</u>	Total Comprehensive Income & Expenditure			<u>105,109</u>

Movement in Reserves Statement

2015-16	General Fund Balance (Restated) £'000s	Earmarked Gen Fund Reserves £'000s	Housing Revenue Account £'000s	Earmarked HRA Reserves £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Total Usable Reserves (Restated) £'000s	Total Unusable Reserves (Restated) £'000s	Total Authority Reserves (Restated) £'000s	Share of Subsidiary Reserves £'000s	Total Group Reserves (Restated) £'000s
Balance as at 31 March 2015												
-As previously reported	(8,839)	(28,457)	(18,345)	(9,000)	(9,753)	-	(23,935)	(98,329)	(70,740)	(169,069)	7,835	(161,234)
-Prior period adjustment	-	-	-	-	-	-	-	-	(84,449)	(84,449)	-	(84,449)
-As restated	(8,839)	(28,457)	(18,345)	(9,000)	(9,753)	-	(23,935)	(98,329)	(155,189)	(253,518)	7,835	(245,683)
Movement in reserves during 2015/16												
(Surplus)/deficit on provision of services	72,603	-	(56,697)	-	-	-	-	15,906	-	15,906	(1,227)	14,679
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(53,740)	(53,740)	65	(53,675)
Total Comprehensive Income and	72,603	-	(56,697)	-	-	-	-	15,906	(53,740)	(37,834)	(1,162)	(38,996)
Adjustments between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	(2,791)	(2,791)
Adjustments between accounting basis and funding basis under regulations (Note 22)	(66,717)	-	52,986	-	(9,132)	-	14,712	(8,151)	8,151	-	-	-
Net (increase)/decrease before Transfers to Earmarked Reserves	5,886	-	(3,711)	-	(9,132)	-	14,712	7,755	(45,589)	(37,834)	(3,953)	(41,787)
Transfers to/(from) Earmarked Reserves (Note 23)	(6,095)	6,095	100	(100)	-	-	-	-	-	-	-	-
(Increase)/ decrease for the year	(209)	6,095	(3,611)	(100)	(9,132)	-	14,712	7,755	(45,589)	(37,834)	(3,953)	(41,787)
Balance as at 31 March 2016	(9,048)	(22,362)	(21,956)	(9,100)	(18,885)	-	(9,223)	(90,574)	(200,778)	(291,352)	3,882	(287,470)

Core Financial Statements

2016-17	General Fund Balance (Restated) £'000s	Earmarked Gen Fund Reserves £'000s	Housing Revenue Account £'000s	Earmarked HRA Reserves £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Total Usable Reserves (Restated) £'000s	Total Unusable Reserves (Restated) £'000s	Total Authority Reserves (Restated) £'000s	Share of Subsidiary Reserves £'000s	Total Group Reserves (Restated) £'000s
Balance as at 31 March 2016												
-As previously reported	(9,048)	(22,362)	(22,103)	(9,100)	(18,885)	-	(9,223)	(90,721)	(177,702)	(268,423)	3,882	(264,541)
-Prior period adjustment	-	-	147	-	-	-	-	147	(23,076)	(22,929)	-	(22,929)
-As restated	(9,048)	(22,362)	(21,956)	(9,100)	(18,885)	-	(9,223)	(90,574)	(200,778)	(291,352)	3,882	(287,470)
(Surplus)/deficit on provision of services	84,123	-	(23,048)	-	-	-	-	61,075	-	61,075	(1,925)	59,150
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	44,035	44,035	4,612	48,647
Total Comprehensive Income and	84,123	-	(23,048)	-	-	-	-	61,075	44,035	105,110	2,687	107,797
Adjustments between accounting basis and funding basis under regulations (Note 22)	(67,156)	-	20,747	-	(1,833)	-	512	(47,730)	47,730	0	-	-
Net (increase)/decrease before Transfers to Earmarked Reserves	16,967	-	(2,301)	-	(1,833)	-	512	13,345	91,765	105,110	2,687	107,797
Transfers to/(from) Earmarked Reserves (Note 23)	(14,419)	14,419	224	(224)	-	-	-	-	-	-	-	-
(Increase)/ decrease for the year	2,548	14,419	(2,077)	(224)	(1,833)	-	512	13,345	91,765	105,110	2,687	107,797
Balance as at 31 March 2017	(6,500)	(7,943)	(24,033)	(9,324)	(20,718)	-	(8,711)	(77,229)	(109,013)	(186,243)	6,569	(179,674)

Balance Sheet

31st March 2015 (Restated) £ '000	31st March 2016 (Restated) £ '000		Note	31st March 2017 £ '000	31st March 2017 £ '000
399,359	452,076	Council Dwellings		504,332	
282,678	290,253	Other Land and Buildings		306,568	
10,044	8,987	Vehicles, Plant and Equipment		8,880	
199,747	206,364	Infrastructure		155,950	
11,539	11,711	Community Assets		12,303	
-	-	Assets under construction		325	
5,291	8,186	Surplus Assets		26,538	
908,658	977,577	Property, Plant & Equipment	25		1,014,897
825	917	Heritage Assets		1,113	
15,482	11,615	Investment Property	26	25,910	
258	190	Intangible Assets		115	
8,742	15,913	Long Term Investments	37	18,617	
8,675	9,344	Long Term Debtors	30	8,996	
33,982	37,979				54,751
942,640	1,015,556	Long Term Assets			1,069,648
6,056	-	Assets Held for Sale	27	440	
15,000	-	Short term investments		-	
154	254	Inventories		254	
36,900	28,202	Short Term Debtors	30	23,286	
26,528	8,324	Cash and Cash Equivalents		22,146	
84,638	36,780	Current Assets			46,126
1,027,278	1,052,336	Total Assets			1,115,774
(9,525)	(21,074)	Short Term Borrowing		(62,667)	
(57,917)	(50,435)	Short Term Creditors	31	(66,936)	
(3,200)	(8,575)	Short Term Provisions	36	(7,479)	
-	(1,622)	Deferred Income		-	
(11,008)	(8,841)	Capital Grants Received in Advance	32	(9,632)	
(81,650)	(90,547)	Current Liabilities			(146,714)
945,628	961,789	Total Assets less Current Liabilities			969,060
(28,917)	(28,609)	PFI Lease Liabilities	35	(27,605)	
-	-	PFI Deferred Income	35	(1,637)	
(11,120)	(13,320)	Long Term Provisions	36	(14,320)	
(301,116)	(294,522)	Long Term Borrowing	37	(288,291)	
(350,957)	(333,986)	Liability relating to defined benefit pension scheme	39	(450,964)	
(692,110)	(670,437)	Long Term Liabilities			(782,817)
253,518	291,352	Net Assets			186,243
(98,329)	(90,574)	<i>Financed by:</i>			
(155,189)	(200,778)	Usable Reserves	23	(77,229)	
		Unusable Reserves	24	(109,014)	
(253,518)	(291,352)	Total Reserves			(186,243)

Cashflow Statement

31st March 2016 (Restated) £ '000	31st March 2017 £ '000
15,906	61,074
Net (surplus)/deficit on the provision of services	
(61,681)	(105,699)
Adjust net surplus or deficit on the provision of services for non-cash movements (Note A)	
28,576	32,737
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	
(17,199)	(11,888)
Net cash flows from Operating Activities	
34,047	34,600
Investing Activities (Note C)	
1,356	(36,534)
Financing Activities (Note D)	
18,204	(13,822)
Net (increase)/decrease in cash and cash equivalents	
26,528	8,324
Cash and cash equivalents at the beginning of the reporting period	
8,324	22,146
Cash and cash equivalents at the end of the reporting period	

Notes to the Cashflow statement are provided in note 42.

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position as at 31 March 2017.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise *the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code)*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a "going concern" basis.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits, or service potential associated with the transaction, will flow to the authority;
- 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 inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument; and When revenue or

expenditure is recognised, but the cash has not transferred, a debtor or creditor for the relevant amount is included in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and on-demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in not more than seven days from the acquisition date and are readily convertible to known amounts of cash with insignificant risk of value change.

In the balance sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Employee Benefits

Benefits Payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable 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 in exchange for those benefits. Costs are charged on an accruals basis to the Corporate Support Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Post-Employment Benefits

Employees of the Council may be members of one 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 (LGPS), administered by the Royal Borough of Windsor and Maidenhead; and
- The National Health Service Pension scheme.

All of the above schemes provide defined benefits to members (e.g. retirement lump sums and pensions).

However, the arrangements for the Teachers' Pension Scheme and the NHS Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. These schemes are, therefore, accounted for as if they are Defined Contributions Schemes and no liability for future payment of benefits is recognised in the Balance Sheet. The Children, Education and Early Help Services and Adult Care and Health Service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the Teachers' and NHS Pension schemes in year.

The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a Defined Benefits Scheme.

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

Liabilities are measured on an actuarial basis discounted to present value using the projected unit method. The discount rate used is determined in reference to the market yields of high quality corporate bonds at 31 March.

The assets of Berkshire Pension Fund, attributable to the Council, are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

Service costs of the LGPS Defined Benefits Scheme are recognised as a charge in the Comprehensive Income and Expenditure Statement (CIES) against the services for which employees worked. Net interest expenses on the defined liability are included in the 'Financing and Investment' line within the CIES. Gains and losses on settlements are recognised in the 'Corporate Support Services' line within the CIES. Actuarial gains and losses are recognised in the 'Other Comprehensive Income and Expenditure' line within the CIES.

The amount chargeable to the General Fund for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing each particular pension scheme. Where this amount does not match the amount charged to the Surplus or Deficit on the Provision of Services for the year the difference is taken to the Pensions Reserve via the Movement in Reserves Statement.

Discretionary Benefits

The Council 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 are accounted for on the same basis as Defined Benefit Schemes.

v. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost.

Financial Liabilities

Financial liabilities are initially measured at fair value and are subsequently carried at amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2017.

Financial Assets

Financial assets are classed as loans and receivables measured at amortised cost.

Financial assets classed as available for sale have been valued at fair value - for further details please refer to Note 37.

Where assets become impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Unrealised gains and losses in the fair value of available for sale assets are reported in the Other Comprehensive Income and Expenditure section of the CIES and held on the Balance Sheet in the Available for Sale Reserve until the assets are derecognised. Interest and dividend income is reported in the Financing and Investment Income and Expenditure line within the CIES.

vi. Government Grants and Contributions

Whether paid on account, by instalment or in arrears, government grants and third party contributions are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the contributions or grants will be received.

Income is only recognised in the Comprehensive Income and Expenditure Statement once any conditions attached to the contribution, or grant, have been met. A condition can stipulate how an asset purchased with grant can be used, or a service provided, with the risk of having to repay the grant to the awarding body if the conditions are not complied with.

Grants and contributions received where the conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied or there are no conditions, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-Specific Grant (for non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

vii. Interests in Companies and Other Entities

Companies

The Council has interests in four wholly owned subsidiary companies, which:

- are carried on the Council Balance Sheet at historic cost less any provision for impairment; and
- where material and actively trading they have been consolidated into the Council's Group Accounts on a line by line basis after first re-aligning accounting policies with the Council where appropriate and eliminating intra-Group transactions.

Schools

Schools maintained by the Council are recognised on the Balance Sheet as the balance of control lies with the Council. Consequently all those schools' assets, liabilities, reserves and cash flows are recognised in the Council's financial statements (and not the Group Accounts). Voluntary Aided and Voluntary Controlled schools are not recognised on the Council's Balance Sheet as the balance of control for those schools lies with the respective dioceses.

viii. Investment Property

Investment properties are initially measured at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to property market conditions at the year-end.

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

ix. Leases

Council as Lessor

- *Finance leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

Income from lessees is apportioned between:

- a charge to write down the lease debtor for the acquisition of the leased item; and
- finance income (i.e. interest) which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset remains on the Council's Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease, regardless of the pattern of payments.

Council as Lessee

- *Operating leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased assets. Charges are made on a straight-line basis over the life of the lease.

x. Overhead and support service recharges

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance

xi. Prior period adjustments

Prior period adjustments have been recognised to correct material errors discovered in prior accounting years. These have been corrected retrospectively

by adjusting the opening Balance Sheet for 2015/16 and all affected comparative amounts for 2015/16 and are disclosed at Note 2.

xii. Property, Plant and Equipment

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially valued at cost including:

- the purchase price;
- costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and where appropriate
- an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not have a de minimis level for capitalisation of assets.

The Council does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be their fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are held on the Balance Sheet according to the following valuations bases:

Asset type	Valuation basis
Infrastructure, community assets, vehicles, plant and equipment	Depreciated historic cost
Council Dwellings	Current value determined using Existing Use Value for Social Housing (EUV-SH)
Assets under Construction	Historic cost
Surplus Assets	Fair value, estimated at highest and best use from a market participant's perspective.
All other Property, Plant and Equipment assets	Current value, determined as the amount that would be paid for an asset based on its Existing Use Value (EUV)

Where there is no market-based evidence of current value due to the specialised nature of the asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amounts are not materially different from the current value at the year-end, but as a minimum every five years. 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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

Impairment

Assets are assessed annually at year-end to determine whether there is any indication they may have been impaired. Where indications exist and possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall:

- Initially as a charge against the Revaluation Reserve where there is a credit balance for the asset to the extent of the credit balance; and
- Then as a charge to the relevant service line in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful economic lives. An exception is made for assets without a determinable finite useful life i.e. Freehold Land and certain selected Community Assets, and assets that are not yet available for use i.e. Assets Under Construction.

Depreciation is calculated on the following bases:

- Dwellings and Other Buildings - straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- Vehicles, Plant, Furniture and Equipment - straight-line allocation over their useful economic lives, as estimated at the time of purchase by a suitably qualified officer. Assets acquired under finance leases are depreciated over their lease term; and
- Infrastructure - straight-line allocation over 5 to 40 years depending on the type of infrastructure asset.

Where an item of property, plant or equipment comprises major components whose cost is significant in relation to the total cost of the item, those components are depreciated separately.

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 upon the historical cost; this amount being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

Where a receipt from the disposal of an asset exceeds £10,000 the income is recognised as a capital receipt. Receipts for assets disposed of at less than £10,000 are credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

xiii. Service Concessions

Service concessions e.g. Private Finance Initiatives (PFI) and similar contracts are contracts to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council recognises the assets used under the contracts on its Balance Sheet within Property, Plant and Equipment, because ownership of the property, plant and equipment will pass to the Council at the end of the contract terms for no additional charge.

The original recognition of these assets at current value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

The amounts payable to contractors each year are analysed into five elements:

- Fair value of services received during the year - debited to the relevant service line within the Comprehensive Income and Expenditure Statement;
- Finance cost is the interest charge on the outstanding Balance Sheet liability, and contingent rent is the increase in the amount to be paid for property during the contract. Both items are debited to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement;
- Payment towards liability is the amount applied to write down the Balance Sheet liability to the contractors; and
- Lifecycle replacement costs are amounts payable to contractors during the contract term for planned maintenance and are debited to the relevant service line within the Comprehensive Income and Expenditure Statement.

xiv. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits (cash or service potential), and where a reliable estimate can be made of the amount required to settle the obligation.

Provisions are charged as an expense to the appropriate Service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, e.g. from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

No liability is recognised if an outflow of economic resources is not certain or quantifiable. Such situations are not recognised in the Balance Sheet but are disclosed as contingent liabilities where the outflow of resources may be significant and is likely.

Contingent Assets

A contingent asset arises where an inflow of economic resources arising from a past event is uncertain, and depends on uncertain future events not wholly within the control of the Council.

Contingent Assets are not included in the Balance Sheet but are identified within the relevant Note to the Statement of Accounts.

xv. Reserves

The Council sets aside specific amounts for future policy purposes or to fund contingencies. Reserves are created by appropriating amounts from the General Fund Balance or the Housing Revenue Account Balance in the Movement in Reserves Statement.

When expenditure to be financed from a Reserve is incurred, it is charged to the appropriate Service line in the Comprehensive Income and Expenditure Statement. The Reserve is then appropriated back to the General Fund Balance or Housing Revenue Account Balance in the Movement in Reserves Statement so that there is no overall charge against Council Tax in respect of the costs incurred.

xvi. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure and Financing disclosure at Note 28.

xvii. Value Added Tax (VAT)

The Comprehensive Income and Expenditure Statement excludes amounts relating to VAT. It is included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Comprehensive Income and Expenditure Statement.

2. Prior Period Adjustments

The Council has made eight material adjustments to restate figures previously reported in 2015/16. Each of these adjustments is explained below.

The impact on the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cashflow Statement, Note 22 (Amounts included in the Movement in Reserves Statement) and Note 24 (Unusable Reserves), are outlined in the tables that follow the detailed explanations.

Where other Notes to the Accounts have been restated, the explanatory note identifies the notes that have changed and more detail is then provided in the actual note.

(a) Collection Fund

As part of the preparation of the 2016/17 accounts, the Council and its Auditors identified that the establishment of the business rates appeals provision in 2013/14 had been overstated by £9.6m. £2.4m of this was corrected in 2014/15 leaving an uncorrected overstated balance of £7.2m, the Council's share of which was £3.528m (49%).

Consequently, the balance on the Collection Fund Adjustment Account at 31 March 2015 was overstated by £3.528m, matched by an overstatement of debtors by £0.160m, and an understatement of creditors by £3.368m.

In addition to the core statements, the Collection Fund Statement, Note 22 and Note 24, this adjustment impacts on the following notes:

- 6. Expenditure and Funding Analysis;
- 7. Note to the Expenditure and Funding Analysis;
- 21. Expenditure and Income Analysed by Nature;
- 30. Debtors;
- 31. Creditors;
- 36. Provisions; and
- 37. Financial Instruments.

(b) Infrastructure Assets

As part of the preparation of the 2016/17 accounts, the Council and its Auditors identified that Infrastructure Assets had historically been depreciated on a reducing balance basis, instead of the Council's stated accounting policy to depreciate such assets on a straight line basis. As a result, depreciation was understated by £6.485m to 31 March 2015 and £6.819m in 2015/16.

In addition to the core statements, Note 22 and Note 24, this adjustment impacts on the following notes:

- 6. Expenditure and Funding Analysis;
- 7. Note to the Expenditure and Funding Analysis;
- 21. Expenditure and Income Analysed by Nature; and
- 25. Property, Plant and Equipment.

(c) Council Dwellings' Valuations

The carrying value of council dwellings has been restated because:

- depreciation had been understated where revaluations had reversed impairments from previous years; and
- the basis for estimating the split of valuations between land and buildings for the purpose of estimating depreciation was restated to reflect actual land values for the HRA dwelling stock.

Whilst the overall valuation was unchanged for each financial year, the carrying value of the dwellings increased by £70.828m to £399.359m at 31 March 2015 and £52.432m to £452.076m at 31 March 2016.

This adjustment also impacted on the Housing Revenue Account, reducing its balance by £0.147m to £21.956m at 31 March 2016, with a consequent increase in the Capital Adjustment Account balance of £48.261m and an increase in the Revaluation Reserve balance of £4.318m as at 31 March 2016.

In addition to the core statements, the Housing Revenue Account, Note 22 and Note 24, this adjustment impacts on the following notes:

- 6. Expenditure and Funding Analysis;
- 7. Note to the Expenditure and Funding Analysis;
- 21. Expenditure and Income Analysed by Nature; and
- 25. Property, Plant and Equipment.

(d) North Whitley Housing (HRA) PFI Scheme

A review of the financial model for the North Whitley PFI scheme identified an error in the calculation of the overall liability for the scheme.

The revised calculations are as follows:

- i. a reduction in the liability by £4.860m from £26.237m to £21.377m at 1 April 2015. This is matched by an increase in the balance on the Capital Adjustment Account of £4.860m; and
- ii. an increase in the charges to the HRA for the service charge and interest elements of the unitary payment of £0.689m. This is matched by a reduction of £0.689m in the principal repayment.

In addition, the projections of the future liabilities under the contract were overstated because inflation had been overstated and the projections did not take account of reductions in the housing stock from when the contract was let.

On recalculation, the combined effect of both these factors, and the reduction in the lease liability element of the contract, results in an overall reduction in projected liabilities of £13.759m as at 31 March 2016, reducing the liability from £146.045m to £132.286m.

In addition to the core statements, Note 22, Note 24, the Housing Revenue Account (HRA) and the Notes to the HRA, this adjustment impacts on the following notes:

- 6. Expenditure and Funding Analysis;
- 7. Note to the Expenditure and Funding Analysis;
- 21. Expenditure and Income Analysed by Nature;
- 25. Property, Plant and Equipment;
- 28. Capital Expenditure and Capital Finance Requirement;
- 35. PFI Schemes; and
- 37. Financial Instruments.

(e) Other Land and Buildings' Valuations

The values of all other land and building assets, previously valued in excess of £0.1m, were revalued and the 2015/16 balance sheet restated, because:

- whilst the Council had revalued one-fifth of the property portfolio each year, no review had been undertaken to ensure that the carrying values of the remaining four-fifths of the portfolio did not differ materially from the current value. A market report from a specialist valuation firm indicated that property market movements had moved materially for the entire asset portfolio. As a result, the Council engaged an external valuer to revalue all assets, at both 1 April 2015 and at 31 March 2016, valued in excess of £0.1m; and
- in previous years, the Council's accounting policy had been to impair capital expenditure where the expenditure was less than 10% of the asset value. This policy understated the carrying value of assets and thus depreciation charges and any revaluation gains.

The impact of these revaluations is to:

- increase the value of Property, Plant and Equipment at 31st March 2015 by £16.827m and by £20.475m at 31st March 2016;
- increase the balance on Unusable Reserves at 31st March 2015 by £16.827m and by £20.475m at 31st March 2016; and

- increase the net charge in the Comprehensive Income and Expenditure Statement in 2015/16 to Services for Depreciation and Impairment by £26.678m.

In addition to the core statements, the Housing Revenue Account, Note 22 and Note 24, this adjustment impacts on the following notes:

- 6. Expenditure and Funding Analysis;
- 7. Note to the Expenditure and Funding Analysis;
- 21. Expenditure and Income Analysed by Nature;
- 25. Property, Plant and Equipment; and
- 34. Leases.

(f) Assets Held for Sale

As part of the preparation of the 2016/17 accounts, the Council and its Auditors identified that a number of assets held for sale were incorrectly classified as there was no active plans to dispose of them. As a result, the assets have been reclassified as Surplus Assets, which reduced the balance of Assets Held for Sale by £0.291m and increased Surplus Assets by £0.291m at 31st March 2015.

A further asset was reclassified at 31st March 2016, reducing the balance of Assets Held for Sale by £3.291m and increasing the Surplus Assets balance by £3.291m.

In addition to the core statements, Note 22 and Note 24, this adjustment impacts on the following notes:

- 6. Expenditure and Funding Analysis;
- 7. Note to the Expenditure and Funding Analysis;
- 21. Expenditure and Income Analysed by Nature;
- 25. Property, Plant and Equipment; and
- 27. Assets Held for Sale.

(g) Investment Properties

As part of the closure of the 2016/17 accounts, a review was conducted of the properties classified as Investment Properties. The Council considered whether the reason to hold each property was solely to earn rentals or for capital appreciation.

It was concluded that a number of buildings should be reclassified as Operational Land and Buildings as there were other reasons to hold the property. As a result, £19.023m of Investment Property assets have been reclassified to Other Land and Buildings as at 31 March 2016 (31 March 2015: £18.498m).

In addition to the core statements, the Housing Revenue Account, Note 22 and Note 24, this adjustment impacts on the following notes:

- 6. Expenditure and Funding Analysis;
- 7. Note to the Expenditure and Funding Analysis;
- 11. Financing and Investment Income and Expenditure;
- 21. Expenditure and Income Analysed by Nature;
- 25. Property, Plant and Equipment; and
- 26. Investment Properties.

The combined effect of these adjustments reduces the surplus on the Comprehensive Income and Expenditure Statement (CIES) in 2015/16 by £0.326m. Correcting entries have been made to the balance sheet at 31 March 2015, CIES for 2015/16, Movement in Reserves Statement for 2015/16 and the balance sheet at 31 March 2016 as detailed below.

(h) Liabilities' Reclassifications

A review of liabilities identified that the following items had been mis-classified in the 2015/16 accounts and have been reclassified as follows:

- £3.200m was reclassified from Creditors to Short Term Provisions at 31st March 2015, with £11.638m similarly reclassified at 31st March 2016 (excluding the adjustment above for the Collection Fund); and
- £1.020m was reclassified from Short Term Lease Liabilities to Long Term PFI Lease liabilities at 31st March 2016.

In addition to the Balance Sheet, the reclassifications impact on Note 36, Provisions, and Note 37, Financial Instruments.

The impact of these prior period adjustments are as follows:

Notes to the Accounts

Prior Year Adjustments Note Tables

Effect on the Opening Balance Sheets

	Balance Sheet at 31 March 2015									
	Balances at 31 March 2015	Collection Fund Restatement	Infrastructure Restatement	Council dwellings restatement	HRA PFI restatement	Other land & buildings restatement	Assets held for sale restatement	Investment Property restatement	Liabilities Restatement	Restated Balances at 31 March 2015
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Council dwellings	328,531	-	-	70,828	-	-	-	-	-	399,359
Other land and buildings	247,352	-	-	-	-	16,828	-	18,498	-	282,678
Vehicles, plant and equipment	10,045	-	-	-	-	(1)	-	-	-	10,044
Infrastructure	206,232	-	(6,485)	-	-	-	-	-	-	199,747
Surplus Assets	5,000	-	-	-	-	-	291	-	-	5,291
Total Property, plant and equipment	808,699	-	(6,485)	70,828	-	16,827	291	18,498	-	908,658
Investment property	32,033	-	-	-	-	1,947	-	(18,498)	-	15,482
Total Long term Assets	859,232	-	(6,485)	70,828	-	18,774	291	-	-	942,640
Short Term Debtors	37,060	(160)	-	-	-	-	-	-	-	36,900
Assets Held for Sale	6,347	-	-	-	-	-	(291)	-	-	6,056
Total Current Assets	85,089	(160)	-	-	-	-	(291)	-	-	84,638
Short Term Creditors	(57,749)	(3,368)	-	-	-	-	-	-	3,200	(57,917)
Short Term Provisions	-	-	-	-	-	-	-	-	(3,200)	(3,200)
Total Current Liabilities	(78,282)	(3,368)	-	-	-	-	-	-	-	(81,650)
PFI Lease liabilities	(33,777)	-	-	-	4,860	-	-	-	-	(28,917)
PFI Deferred Income	-	-	-	-	-	-	-	-	-	-
Long-Term Liabilities	(696,970)	-	-	-	4,860	-	-	-	-	(692,110)
Net Assets	169,069	(3,528)	(6,485)	70,828	4,860	18,774	-	-	-	253,518
Total Usable Reserves	(98,329)	-	-	-	-	-	-	-	-	(98,329)
Capital Adjustment Account	(340,712)	-	6,485	(71,405)	(4,860)	13,520	-	3,678	-	(393,294)
Revaluation Reserve	(79,698)	-	-	577	-	(32,294)	-	(3,678)	-	(115,093)
Collection Fund Adjustment Account	(3,342)	3,528	-	-	-	-	-	-	-	186
Total Unusable Reserves	(70,740)	3,528	6,485	(70,828)	(4,860)	(18,774)	-	-	-	(155,189)
Total Reserves	(169,069)	3,528	6,485	(70,828)	(4,860)	(18,774)	-	-	-	(253,518)

Notes to the Accounts

Effect on the Comprehensive Income and Expenditure Statement 2015-16

	As Previously Stated 2015-16	Collection Fund Restatement	Infrastructure Restatement	Council dwellings restatement	HRA PFI restatement	Other land & buildings restatement	Investment Property restatement	Restated 2015-16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross Expenditure								
Environment and Neighbourhood Services	83,138	-	334	-	-	26,661	(15)	110,118
Housing Revenue Account	(47,332)	-	-	24,140	538	17	(8)	(22,645)
Total Gross Expenditure	387,416	-	334	24,140	538	26,678	(23)	439,083
Gross Income								
Housing Revenue Account	(41,843)	-	-	-	-	-	(227)	(42,070)
Total Gross Income	(309,523)	-	-	-	-	-	(227)	(309,750)
Net Cost of Services	77,893	-	334	24,140	538	26,678	(250)	129,333
Other Operating Expenditure	4,313	-	-	(1,001)	-	-	-	3,312
Financing and Investment Income and Expenditure	25,172	-	-	-	151	349	576	26,248
Taxation and Non-Specific Grant Income	(147,431)	4,444	-	-	-	-	-	(142,987)
(Surplus)/deficit on provision of services	(40,053)	4,444	334	23,139	689	27,027	326	15,906
(Surplus)/deficit on Revaluation of Non Current Assets	(23,826)	-	-	(4,743)	-	10,630	(326)	(18,265)
Total Comprehensive Income & Expenditure	(99,354)	4,444	334	18,396	689	37,657	-	(37,834)

Notes to the Accounts

Movement in Reserves Statement

	Usable Reserves							Restated 2015-16 £000s
	As Previously Stated 2015-16 £000s	Collection Fund Restatement £000s	Infrastructure Restatement £000s	Council dwellings restatement £000s	HRA PFI restatement £000s	Other land & buildings restatement £000s	Investment Property restatement £000s	
Balance at 31 March 2015	(98,329)	-	-	-	-	-	-	(98,329)
(Surplus)/deficit on provision of services	(40,053)	4,444	334	23,139	689	27,027	326	15,906
Total comprehensive income & expenditure	(40,053)	4,444	334	23,139	689	27,027	326	15,906
Adjustments between accounting basis and funding basis under regulations								
Charges for depreciation and impairment of non-current assets	5,009	-	(334)	(23,993)	-	(26,678)	23	(45,973)
Movement in the market value of Investment Properties	1,121	-	-	-	-	(349)	(349)	423
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	(17,883)	-	-	1,001	-	-	-	(16,882)
Statutory provision for the financing of capital investment	9,520	-	-	-	(689)	-	-	8,831
Capital expenditure charged against the General Fund and HRA balances	803	-	-	750	-	-	-	1,553
Use of the Major Repairs Reserve to finance new capital expenditure	6,900	-	-	(750)	-	-	-	6,150
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	1,412	(4,444)	-	-	-	-	-	(3,032)
Total Adjustments between accounting basis and funding basis under regulation	47,661	(4,444)	(334)	(22,992)	(689)	(27,027)	(326)	(8,151)
Net(increase)/decrease before transfers to earmarked reserves	7,608	-	-	147	-	-	-	7,755
(Increase)/decrease in year	7,608	-	-	147	-	-	-	7,755
Balance at 31 March 2016	(90,721)	-	-	147	-	-	-	(90,574)

Notes to the Accounts

Capital Adjustment Account

	As Previously Stated 2015-16 £000s	Infrastructure Restatement £000s	Council dwellings restatement £000s	HRA PFI restatement £000s	Other land & buildings restatement £000s	Investment Property restatement £000s	Restated 2015-16 £000s
Balance at 31 March 2015	(340,712)	6,485	(71,405)	(4,860)	13,520	3,678	(393,294)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(9,192)	334	24,007	-	26,678	(23)	41,804
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	16,896	-	(863)	-	-	-	16,033
Total of Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	(20,245)	334	23,144	-	26,678	(23)	29,888
Capital Financing applied in year:							
Statutory Provision for the financing of capital investment charged against the General Fund and HRA balance	(9,520)	-	-	689	-	-	(8,831)
Total of Capital Financing applied in year	(48,825)	-	-	689	-	-	(48,136)
Movement in the market of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,121)	-	-	-	349	349	(423)
Total Investment Properties movement	(1,391)	-	-	-	349	349	(693)
Balance at 31 March 2016	(411,173)	6,819	(48,261)	(4,171)	40,547	4,004	(412,235)

Revaluation Reserve

	As Previously Stated 2015-16 £000s	Council dwellings restatement £000s	Other land & buildings restatement £000s	Investment Property restatement £000s	Restated 2015-16 £000s
Balance at 31 March 2015	(79,698)	577	(32,294)	(3,678)	(115,093)
Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	(23,826)	(4,743)	10,630	(326)	(18,265)
Accumulated gains on assets disposed of	987	(138)	-	-	849
Difference between fair value depreciation and historic cost depreciation	4,183	(14)	-	-	4,169
Assets transferred to/from Investment properties	270				270
Amount written off to the Capital Adjustment Account	5,440	(152)	-	-	5,288
Balance at 31 March 2016	(98,084)	(4,318)	(21,664)	(4,004)	(128,070)

Collection Fund Adjustment Account

	As Previously Stated 2015-16 £000s	Collection Fund Restatement £000s	Restated 2015-16 £000s
Balance at 31 March 2015	(3,342)	3,528	186
Adjustments between accounting basis and funding basis under regulations 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	(1,412)	4,444	3,032
Total Adjustments between accounting basis and funding basis under regulation	(1,412)	4,444	3,032
Balance at 31 March 2016	(4,754)	7,972	3,218

Notes to the Accounts

Movement in Reserves Statement

	Unusable Reserves							Restated 2015-16 £000s
	As Previously Stated 2015-16 £000s	Collection Fund Restatement £000s	Infrastructure Restatement £000s	Council dwellings restatement £000s	HRA PFI restatement £000s	Other land & buildings restatement £000s	Investment Property restatement £000s	
Balance at 31 March 2015	(70,740)	3,528	6,485	(70,828)	(4,860)	(18,774)	-	(155,189)
(Surplus)/deficit on provision of services	(59,301)	-	-	(4,743)	-	10,630	(326)	(53,740)
Total comprehensive income & expenditure	(59,301)	-	-	(4,743)	-	10,630	(326)	(53,740)
Adjustments between accounting basis and funding basis under regulations								
Charges for depreciation and impairment of non-current assets	(5,009)	-	334	23,993	-	26,678	(23)	45,973
Movement in the market value of Investment Properties	(1,121)	-	-	-	-	349	349	(423)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	17,883	-	-	(1,001)	-	-	-	16,882
Statutory provision for the financing of capital investment	(9,520)	-	-	-	689	-	-	(8,831)
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	(1,412)	4,444	-	-	-	-	-	3,032
Total Adjustments between accounting basis and funding basis under regulation	(47,661)	4,444	334	22,992	689	27,027	326	8,151
Net(increase)/decrease before transfers to earmarked reserves	(106,962)	4,444	334	18,249	689	37,657	-	(45,589)
(Increase)/decrease in year	(106,962)	4,444	334	18,249	689	37,657	-	(45,589)
Balance at 31 March 2016	(177,702)	7,972	6,819	(52,579)	(4,171)	18,883	-	(200,778)

Notes to the Accounts

Balance Sheet

	Balance Sheet at 31 March 2016									
	Balances at 31 March 2016	Collection Fund Restatement	Infrastructure Restatement	Council dwellings restatement	HRA PFI restatement	Other land & buildings restatement	Assets held for sale restatement	Investment Property restatement	Liabilities Restatement	Restated Balances at 31 March 2016
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Council dwellings	399,644	-	-	52,432	-	-	-	-	-	452,076
Other land and buildings	291,700	-	-	-	-	(20,470)	-	19,023	-	290,253
Vehicles, plant and equipment	8,992	-	-	-	-	(5)	-	-	-	8,987
Infrastructure	213,183	-	(6,819)	-	-	-	-	-	-	206,364
Surplus Assets	4,895	-	-	-	-	-	3,291	-	-	8,186
Total Property, plant and equipment	930,125	-	(6,819)	52,432	-	(20,475)	3,291	19,023	-	977,577
Investment property	29,046	-	-	-	-	1,592	-	(19,023)	-	11,615
Total Long term Assets	985,535	-	(6,819)	52,432	-	(18,883)	3,291	-	-	1,015,556
Short Term Debtors	28,202	-	-	-	-	-	-	-	-	28,202
Assets Held for Sale	3,291	-	-	-	-	-	(3,291)	-	-	-
Total Current Assets	40,071	-	-	-	-	-	(3,291)	-	-	36,780
Short Term Creditors	(51,038)	(11,035)	-	-	-	-	-	-	11,638	(50,435)
Short Term Provisions	-	3,063	-	-	-	-	-	-	(11,638)	(8,575)
Short Term Lease Liabilities	(1,020)	-	-	-	-	-	-	-	1,020	-
Total Current Liabilities	(83,595)	(7,972)	-	-	-	-	-	-	1,020	(90,547)
PFI Lease liabilities	(31,760)	-	-	-	4,171	-	-	-	(1,020)	(28,609)
PFI Deferred Income	-	-	-	-	-	-	-	-	-	-
Long-Term Liabilities	(673,588)	-	-	-	4,171	-	-	-	(1,020)	(670,437)
Net Assets	268,423	(7,972)	(6,819)	52,432	4,171	(18,883)	-	-	-	291,352
Major Repairs Reserve	-	-	-	-	-	-	-	-	-	-
Housing Revenue Account	(22,103)	-	-	147	-	-	-	-	-	(21,956)
Total Usable Reserves	(90,721)	-	-	147	-	-	-	-	-	(90,574)
Capital Adjustment Account	(411,173)	-	6,819	(48,261)	(4,171)	40,547	-	4,004	-	(412,235)
Revaluation Reserve	(98,084)	-	-	(4,318)	-	(21,664)	-	(4,004)	-	(128,070)
Collection Fund Adjustment Account	(4,754)	7,972	-	-	-	-	-	-	-	3,218
Total Unusable Reserves	(177,702)	7,972	6,819	(52,579)	(4,171)	18,883	-	-	-	(200,778)
Total Reserves	(268,423)	7,972	6,819	(52,432)	(4,171)	18,883	-	-	-	(291,352)

Notes to the Accounts

Cashflow and Notes

	31 March 2016	Collection Fund Restatement	Infrastructure Restatement	Council dwellings restatement	HRA PFI restatement	Other land & buildings restatement	Investment Property restatement	Restated 31 March 2016
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Net (surplus)/deficit on the provision of services	(40,053)	4,444	334	23,139	689	27,027	326	15,906
Adjust net surplus or deficit on the provision of services for non-cash movements (Note A)								
Depreciation of property, plant and equipment	4,582			603	(538)	2,059		6,706
Impairment and downward valuations	37,835			(24,743)		(29,086)	(326)	(16,320)
(Increase)/Decrease in Creditors	(3,014)	(7,972)						(10,986)
Carrying amount of non-current assets sold	(17,883)			1,001				(16,882)
Other non-cash movements	(679)	3,528	(334)		(151)			2,364
	6,518	(4,444)	(334)	(23,139)	(689)	(27,027)	(326)	(49,441)
Net (increase)/decrease in cash and cash equivalents	18,204	-	-	-	-	-	-	18,204

Reconciliation of Movement in Net Worth

	31st March 2015 £000s	31st March 2016 £000s
Total Council Assets as previously reported	(169,069)	(268,423)
Collection Fund Restatement	3,528	7,972
Infrastructure Restatement	6,485	6,819
Council dwellings restatement	(70,828)	(52,432)
HRA PFI restatement	(4,860)	(4,171)
Other land & buildings restatement	(18,774)	18,883
Total Council Assets restated	(253,518)	(291,352)

The above tables only show the lines impacted and therefore the totals presented do not cast downwards.

3. Critical judgements in applying accounting policies

CIES Presentation

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents).

Until 2016/17, all local authorities were required to report these figures in accordance with service headings specified by the Service Reporting Code of Practice (SeRCOP), which mapped all local authority income and expenditure into prescribed groupings aimed to aid comparability between authorities through a consistent reporting framework.

CIPFA's 'Telling the Story' consultation on improving the presentation of Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative has introduced changes to the format of the accounts in 2016/17, to reconnect the financial statements of local authorities with the way those authorities are both organised and funded. The format of the CIES has changed and a new Expenditure and Funding Analysis has been introduced which provides a direct reconciliation between the way local authorities are funded and monitor their budget and the CIES. These changes represent a change of accounting policy that requires the publication of a restated CIES for 2016/17.

For the Council, this means that the directorate groupings e.g. Adult Care and Health Services, Corporate Support Services, Children, Education and Early Help Services, Environment and Neighbourhood Services and the Housing Revenue Account have been used to present the CIES for this year.

In the course of applying the Accounting Policies detailed in note 1 above, the Council has made certain key decisions regarding complex transactions. The critical judgements made within this Statement of Accounts are:

- There is a high degree of uncertainty regarding future levels of funding for Local Government and the impact of the decision for Britain to leave the Economic Union (EU) remains unclear. However, the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close associated facilities;
- Waste and Housing service concessions - the Council is deemed to control the services and the residual assets created under both the waste management contract with RE3 Ltd and the housing contract with Affinity (Reading) Ltd. The accounting policies for service concessions have been applied to these contracts, with assets valued at £75m (£58m 2015-16) recognised within the Council's Balance Sheet;

- The Council has a number of properties for which it receives rental income. The nature of these holdings has been assessed against the Code requirements for Investment Properties in line with IAS 40 *Investment Property*, and the definition of this asset class. Properties that are held principally for the rental incomes received, or for increases in the capital value of the building, have been treated as Investment Properties, with the income and expenditure resulting from them included within the 'Investment Income' line in the Comprehensive Income and Expenditure Statement (CIES);
- The Council has completed a school by school assessment across the different schools operated within the Borough in order to determine the individual accounting treatments. Judgements have been made to determine the arrangements in place and the accounting treatment of the Non-Current Assets. As a result, the Council recognises school assets for Community schools on the Balance Sheet. The Council does not recognise assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Free Schools as the view has been adopted that these entities were deemed to be owned by the relevant Dioceses or Trust following consultation and review;
- The Council has to determine whether individual leases are Operating or Finance in nature, based upon assessment criteria as outlined in IAS 17 *Leases* and IFRIC 4 *Determining whether or not an arrangement contains a lease*. The relevant accounting policy applied to the lease is based upon the outcome of this assessment;
- The Council has reviewed its partnership arrangements entered into under section 75 of the National Health Service Act 2006 and determined that:-
 - The Better Care Fund is a non-pooled fund and, therefore, only accounts for the Council's own expenditure and income in the relevant service line within the Comprehensive Income and Expenditure Statement; and
 - The Community Equipment Service is a pooled budget, administered by another local authority. The Council accounts for its contributions to the pooled budget in the relevant service line within the Comprehensive Income and Expenditure Statement.

Further details are provided in Note 13.

- Based upon the criteria described in the Code, the Council has undertaken a detailed review to assess the extent of Group accounting relationships. The Council has identified the entities that it consolidates on the basis of materiality in relation to the financial statements. Reading Transport Limited (RTL) is deemed to constitute a material Group interest and this wholly-owned subsidiary has been consolidated within the Group Accounts. The Council has a number of interests in other entities which have been

deemed as falling outside the scope of consolidation on the grounds of significant influence and control in line with the Code. Furthermore, the Council's interests in these entities in aggregate are not sufficiently substantial to warrant consolidation within the Group Accounts.

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 authority 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 authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.8m for every year that useful lives had to be reduced.

Valuation of HRA dwellings

The valuation of HRA dwellings has been split between land and buildings, based on the hectareage of HRA dwellings multiplied by residential land values per hectare in order, to estimate depreciation. The annual depreciation would decrease by £0.025m for a 1% reduction in the land value percentage and would increase by the same amount for a 1% increase in the land value percentage.

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £15.4m. However, the assumptions

interact in complex ways; details of the sensitivities relating to the pension liability are detailed in Note 39.

Arrears

At 31 March 2017, the authority had a balance of sundry debtors of £4.66m. A review of significant balances suggested that an impairment of doubtful debts of £1.12m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate by 1% this would result in an estimated additional amount of £50,000 in the value of impairments for doubtful debts to be set aside as an allowance;

Service Concessions Estimates of the future payments due to contractors are based on assumptions regarding inflation and satisfactory performance as determined by the terms laid out within the contract.

Inflation increases will lead to the Council having to pay over more to the contractor and, therefore, amounts disclosed will be understated. If the contractor's performance is below the service level that has been built into the financial model linked to the Scheme, the contractor will have penalty charges levied against it and therefore the Council's costs will be lower than disclosed. Estimates may also be impacted by other assumptions (e.g. waste volumes). A 1% increase in the amount payable to the contractor due to inflation would result in an estimated additional annual cost of approximately £150,000.

Business ratepayer appeals

Business ratepayers may lodge appeals against the rateable value given to their properties on the current rating list. The Council makes a provision for this in the Collection Fund, estimated as the expenditure required to settle outstanding appeals based on the likely outcome of those appeals. The provision at 31 March 2017 was £10.55m, which is shared between the Council, Central Government and the Fire Authority. The Council's share of this provision is 49%, a total of £5.17m.

The provision at 31 March 2017 has been calculated using information provided by a company specialising in business rate calculations including provisions for appeals. Their calculation has been reviewed and is estimated to be reasonable but at this stage the eventual outcome of all outstanding appeal cases cannot be assessed with certainty. A 1% variance between actual and expected outcomes would increase the Council's share of potential write offs by £50,000.

5. The impact of accounting changes required by new standards that have been issued, but not yet adopted.

As of the 31st March 2017, there are no new accounting standards which have been issued but not yet adopted by the Council.

6. Expenditure and Funding Analysis

2015-16					2016-17					
Expenditure Reported in the Narrative Report	Accounting Recharges and HRA	Expenditure chargeable to GF & HRA balances	Adjustment between funding & accounting basis	Net Expenditure in the CIES		Expenditure Reported in the Narrative Report	Accounting Recharges and HRA	Expenditure chargeable to GF & HRA balances	Adjustment between funding & accounting basis	Net Expenditure in the CIES
£'000s	£'000s	(Restated) £'000s	(Restated) £'000s	(Restated) £'000s		£'000s	£'000s	£'000s	£'000s	£'000s
39,270	3,225	42,495	880	43,375	Adult Care and Health Services	42,271	762	43,033	1,198	44,231
12,992	1,971	14,963	8,382	23,345	Corporate Support Services	14,571	3,210	17,781	(703)	17,078
32,325	4,232	36,557	15,822	52,379	Children, Education and Early Help Services	38,316	8,046	46,362	16,363	62,725
32,039	459	32,498	42,451	74,949	Environment and Neighbourhood Services	28,327	386	28,713	63,785	92,498
-	(23,523)	(23,523)	(41,192)	(64,715)	Housing Revenue Account	-	(21,532)	(21,532)	(8,918)	(30,450)
116,626	(13,636)	102,990	26,343	129,333	Cost of Services	123,485	(9,128)	114,357	71,725	186,082
		(4,885)	8,197	3,312	Other Operating Expenditure			(1,292)	6,660	5,368
		33,152	(6,904)	26,248	Financing and Investment Income and Expenditure			31,286	(6,586)	24,700
		(129,082)	(13,905)	(142,987)	Taxation and Non-specific Grant income			(129,684)	(25,392)	(155,076)
(114,017)	12,975	(100,815)	(12,612)	(113,427)	Other income and expenditure	(106,518)	6,990	(99,690)	(25,318)	(125,008)
2,609	(661)	2,175	13,731	15,906	(Surplus) or deficit on provision of services	16,967	(2,138)	14,667	46,407	61,074
		(27,184)			Opening General Fund & HRA balances			(31,004)		
		2,175			Deficit/(surplus) on General Fund & HRA balance in year			14,667		
		(5,995)			Transfer to/(from) Earmarked Reserves			(14,196)		
		<u>(31,004)</u>			Closing General Fund & HRA balances			<u>(30,533)</u>		
					General Fund					
					HRA					
					Total					
					Analysed between General Fund & HRA balances					
					Opening General Fund & HRA balances			(9,048)	(21,956)	(31,004)
					Deficit/(surplus) on General Fund & HRA balance in year			2,548	(2,077)	471
					Closing General Fund & HRA balances			<u>(6,500)</u>	<u>(24,033)</u>	<u>(30,533)</u>

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates).

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Earmarked Reserves have not been included in the EFA note.

7. Note to the Expenditure and Funding Analysis

Adjustments for Capital Purposes (Restated) £'000s (Note 1)	2015-2016				2016-17			
	Net change for the				Adjustments for Capital Purposes £'000s (Note 1)	Net change for the Pension Adjustments £'000s (Note 2)	Other Differences £'000s (Note 3)	Total Adjustments £'000s
	Pension	Other	Total					
	Adjustments (Restated) £'000s (Note 2)	Differences (Restated) £'000s (Note 3)	Adjustments (Restated) £'000s					
				Gross expenditure, gross income and net expenditure of continuing operations				
(47)	924	3	880	Adult Care and Health Services	635	565	(2)	1,198
5,596	1,121	1,665	8,382	Corporate Support Services	3,565	258	3,446	7,269
13,105	2,691	26	15,822	Children, Education and Early Help Services	14,563	1,797	3	16,363
40,748	1,688	15	42,451	Environment and Neighbourhood Services	62,628	1,145	12	63,785
(41,588)	416	(20)	(41,192)	Housing Revenue Account	(8,998)	107	(27)	(8,918)
17,814	6,840	1,689	26,343	Cost of Services	72,393	3,872	3,432	79,697
8,197	-	-	8,197	Other Operating Expenditure	6,660	-	-	6,660
(18,801)	11,506	391	(6,904)	Financing and Investment Income and Expenditure	(18,845)	11,838	421	(6,586)
(16,937)	-	3,032	(13,905)	Taxation and Non-specific Grant income	(27,023)	-	(6,341)	(33,364)
(9,727)	18,346	5,112	13,731	(Surplus) or deficit on provision of services	33,185	15,710	(2,488)	46,407

Note 1 - Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- **financing and investment income and expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and
- **taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 - Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **for services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs; and
- **for financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Note 3 - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- for financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts; and
- the charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. Material Items of Income and Expense

For the purpose of this Note, the Council considers material items to be those greater than £2m. The Council incurred the following material expenditure:

- £9.0m (£8.5m 2015/16) to RE3 Ltd for waste collection and disposal under the waste collection service concession;
- £6.5m (£6.3m 2015/16) to Affinity (Reading) Ltd under a service concession to refurbish council-owned housing at North Whitley;
- £5.9m (£4.2m 2015/16) to Bracknell Forest Borough Council for public health services under a joint arrangement;
- £3.8m (£3.7m 2015/16) to Reading Transport Ltd for providing free travel under the Concessionary Fares Scheme;
- £3.7m (£3.1m) loss on disposal arising from a maintained school transferring to academy status; and
- £3.3m (£3.5m 2015/16) to Northgate Public Services (UK) Ltd for the provision of IT services.

9. Agency Income and Expenditure

Following Local Government Reorganisation, various services within Berkshire are provided by one Authority on behalf of the others.

In aggregate, Joint Arrangements administered by various Local Authorities (including Public Health, which is administered by Bracknell Forest Borough Council) cost £34.1m (2015/16: £29.7m).

The Council administered £6.7m (2015/16: £6.5m) of this total. The most significant Joint Arrangements managed by the Council include:

- Child Care Lawyers (£4.1m);
- Coroner's Service (£1.3m); and
- Berkshire Records Office (£0.8m).

10. Other Operating Expenditure

2015/16 (Restated) £'000s	2016/17 £'000s
115 Levies	116
921 Payments to the Government Housing Capital Receipts Pool	1,182
2,276 (Gains)/losses on the disposal of non-current assets	4,070
3,312	5,368

11. Financing and Investment Income and Expenditure

2015/16 (Restated) £'000s	2016/17 £'000s
14,176 Interest payable and similar charges	15,530
11,506 Net interest on the net defined benefit liability (asset)	11,838
(1,595) Interest receivable and similar income	(1,582)
Income and expenditure in relation to investment properties and changes in their fair value	(1,086)
26,248	24,700

12. Taxation and Non-Specific Grant Income and Expenditure

2015/16 (Restated) £'000s	2016/17 £'000s
(70,350) Council tax income	(72,672)
(47,562) Business Rates Income	(53,067)
22,183 Business Rates Tariff	22,368
(24,295) Revenue support grant	(16,826)
(6,027) Other non-ringfenced government grants	(7,857)
(16,936) Capital grants and contributions	(27,022)
(142,987)	(155,076)

13. Partnership Schemes

The Council is party to two partnership schemes, established under section 75 of the National Health Service Act 2006 detailed below:

The Better Care Fund (BCF)

The BCF is a programme that incorporates both NHS and Local Government organisations. The Fund's primary purpose is to ensure that vulnerable clients are placed at the centre of their own care and support packages, so that such individuals are provided with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life. Reading Borough Council has entered into a partnership arrangement with South Reading Clinical Commissioning Group (CCG) and North and West Reading CCG. The total value of this Fund at the end of 2016/17 was £10.417m (2015/16: £10.196m), with the Council's budgeted contribution as £0.337m (2015/16: £0.337m). The Council hosted schemes worth £6.649m in total at the end of 2016/17 (2015/16: £6.284m).

Community Equipment Service

The Council is a partner in a pooled budget for community equipment, with West Berkshire District Council as lead authority for the pooled budget. The partnership operates a central warehouse of equipment, which is loaned to clients to help them remain in their own homes or to speed their discharge from hospital. Equipment can range from walking sticks to special hydraulic beds. West Berkshire Council purchases the equipment on behalf of the partners and charges them for what they use. The other partner bodies in the pooled budget including West Berkshire Council as lead authority are: Royal Borough of Windsor and Maidenhead, Bracknell Forest Borough Council, Slough Borough Council, Wokingham Borough Council, NHS Newbury and District Clinical Commissioning Group (CCG), NHS North and West Reading CCG, NHS South Reading CCG, NHS Wokingham CCG, NHS Bracknell and Ascot CCG, NHS Slough CCG and NHS Windsor and Ascot Maidenhead CCG. In 2016/17, the gross expenditure of the partnership was £7.7m (2015/16: £7.3m), to which the Council contributed £0.44m (2015/16: £0.44m).

14. Members' Allowances

Payments to members are made under the provisions of the Local Authorities (Members Allowances) (England) Regulations 2003. A breakdown of the amounts paid per member is available on the Council's website - <http://www.reading.gov.uk/councillors>. In addition, Co-optees' Allowances are payable to non-Councillor members sitting on the Standards Committee or any other sub-committee formed by the Standards Committee.

The total amounts paid to Members and Co-opted Officers during 2016/17 was £452,238 (2015/16: £449,922), split over the following categories:

2015/16		2016/17
£		£
378,230	Basic Allowance	378,390
65,636	Special Responsibility Allowance	69,021
105	Dependent Carer's Allowance	21
2,730	Travelling and Subsistence Allowance	1,585
3,221	Co-optees' Allowance	3,221
449,922		452,238

15. Officers' Remuneration

The Corporate Management Team (CMT) is responsible for the day-to-day management and direction of the Council. The remuneration paid to the members of CMT is as follows:

2016/17

Postholder information	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Managing Director ¹	34,839	5,992	40,831
Director of Environment & Neighbourhood Services	116,129	19,974	136,103
Head of Finance	89,277	15,356	104,633
Head of Customer Services	89,277	15,360	104,637
Head of Legal and Democratic Services ⁴	104,696	18,008	122,704
Director of Adult Care & Health Services ²	97,165	16,705	113,870
Director of Children, Education and Early Help Services ³	67,791	11,282	79,073

¹ The Managing Director left the Council in June 2016.

² The Director of Adult Care & Health Services left the Council in January 2017.

³ The Director of Children, Education and Early Help Services joined the Council in August 2016 as Head of Governance and Business Support. In December 2016 she was then appointed Interim Director of Children, Education and Early Help Services.

⁴ The Head of Legal and Democratic Services received £15,419 fees for acting as the Returning Officer; this is included in the total remuneration figure.

In addition, the Council paid a total of £201,580 to Penna PLC for the provision of an Interim Director of Children, Education and Early Help Services for the period April 2016 to December 2016, Solace In Business Ltd £135,975 for the services of an Interim Managing Director from July 2016 to March 2017, Penna plc £127,791 for the services of an Interim Finance Director from October 2016 to March 2017, and £51,233 to Adecco for the services of an Interim Director of Adult Care & Health Services from February 2017 to March 2017.

2015/16

Postholder information	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Managing Director ¹	135,000	-	135,000	22,545	157,545
Director of Environment and Neighbourhood Services	151,018	-	151,018	23,069	174,087
Director of Adult Care and Health Services ²	113,063	-	113,063	18,881	131,944
Director of Children, Education and Early Help Services ³	45,713	57,714	103,427	7,627	111,054
Head of Finance	88,393	-	88,393	14,762	103,155
Head of Customer Services	88,393	-	88,393	14,762	103,155
Head of Legal and Democratic Services ⁴	101,925	-	101,925	17,623	119,548

¹ The Director of Environment and Neighbourhood Services' salary includes an adjustment of £36,039 relating to the 2013/14 and 2014/15 years following a regrading of her post. Her salary for the year was £114,979.

² The Director of Adult Care and Health Services joined the Council in April 2015 and, in addition to her substantive role, was the statutory Director of Children's Services between 5 November 2015 and 31 January 2016.

³ The Director of Children, Education and Early Help Services joined the Council in July 2015 and left on 5 November 2015.

⁴ The Head of Legal and Democratic Services received £12,281 fees for acting as the Returning Officer; this is included in the total remuneration figure.

In addition, the Council paid a total of £107,777 to Penna PLC for the provision of an Interim Director of Children, Education and Early Help Services for the periods April 2015 to June 2015 and February 2016 to March 2016.

Including the individuals disclosed above for 2016/17, the Council had the following number of employees receiving payments (including salary payments and compensation payments for loss of office but excluding additional contributions to the Pension Fund) in excess of £50,000 during the financial year:

2015/16			Remuneration band £	2016/17		
Non- schools	Schools	Total Staff Numbers		Total Staff Numbers	Non- schools	Schools
1	-	1	150,000 to 154,999	-	-	-
1	-	1	135,000 to 139,999	1	1	-
1	1	2	110,000 to 114,999	-	-	-
3	-	3	100,000 to 104,999	2	1	1
-	-	-	95,000 to 99,999	2	1	1
-	-	-	90,000 to 94,999	1	-	1
2	1	3	85,000 to 89,999	5	4	1
4	-	4	80,000 to 84,999	8	5	3
7	3	10	75,000 to 79,999	3	2	1
14	-	14	70,000 to 74,999	12	5	7
8	2	10	65,000 to 69,999	13	6	7
15	1	16	60,000 to 64,999	19	9	10
23	2	25	55,000 to 59,999	29	23	6
42	5	47	50,000 to 54,999	64	54	10
<u>121</u>	<u>15</u>	<u>136</u>		<u>159</u>	<u>111</u>	<u>48</u>

16. Exit Packages

As a result of various changes being implemented by the Council, a number of individuals have received Exit Packages, including redundancy compensation. The following table (and prior year comparators) shows those amounts received during the year (including the costs borne by the Council for the additional contribution to the Pension Funds where this was part of the Exit Package).

Where the total salary and compensation for loss of office payable to an individual in the course of the year exceeds £50,000, the individual is also included within the amounts disclosed in Note 9.

2016/17				
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)
100,001 to 150,000	-	2	2	229,683
80,001 to 100,000	-	-	-	-
60,001 to 80,000	-	1	1	61,886
40,001 to 60,000	1	3	4	193,762
20,001 to 40,000	-	8	8	245,767
1 to 20,000	1	29	30	250,412
	2	43	45	981,511

Band £1 to £20,000 includes 4 exit packages with payments totalling £4,054.09 that relate to 2015/16 departures. The number of 2015/16 departures are not included in the total of exit departures.

2015/16				
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)
80,001 to 100,000	-	1	1	90,567
60,001 to 80,000	1	1	2	138,690
40,001 to 60,000	-	1	1	44,019
20,001 to 40,000	1	5	6	173,035
1 to 20,000	15	15	30	311,645
	17	23	40	757,956

17. Related Party Transactions

The Council is required to disclose material transactions during the year with related parties. Parties are considered to be related to the Council if either of the parties has the power (either via voting rights, family ties or financially) to influence operational or financial policy decisions of the other.

The key personnel responsible for the major strategic decisions within the Council are:

- Elected Members;
- Chief Executive; and

- Members of the Corporate Management Team (CMT). Additional details of these Officers are provided in Note 15)

Members are required to complete the Register of Members' Interests. The Council retains and updates a full copy of this document. It is available to view during office hours at the Council's Offices. From the Register, it has been identified that:

One Member is the Chief Executive of Berkshire Women's Aid (BWA) and one Member has declared that their partner is employed by BWA. This company aims to provide confidential support, information, outreach services and refuge accommodation for victims and children affected by domestic violence. A significant proportion of BWA's total income is received from the Council (total Council expenditure and grant funding in 2016/17 being £516k (2015/16: £400k). The majority of this is for the provision of contracted services and BWA is also in receipt of a sundry grant sum from the Council.

One Member has a partner who is employed by Reading Borough Council as a Social Worker.

Five Members sit on the Board of Readibus. This Charity has been established to provide a Scheme for the transportation of elderly and temporarily or permanently disabled people within Reading and the surrounding district. The Council is the major grant funding body for Readibus. In total during 2016/17, the Council incurred costs of £767k (2015/16: £793k) with Readibus, of which £390k (2015/16: £388k) was for grant funding, with the balance allocated to the provision of services.

Transactions with Central Government

Central Government has an effective general control over the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant portion of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the transactions with other Government departments include items reported within Note 32 *Government and Non-Government Grants* and Note 28 *Capital expenditure and the Capital Financing Requirement*.

Transactions with Bodies where the Council can exhibit 'significant influence'

The Council holds 49% of the shareholding of Reading-Hampshire Property Partnership (RHPP); this is a Joint Venture between the Council and Hampshire County Council and provides services to support work on property, notably the Primary School Expansion Programme. The Council has been assessed as being able to exert significant influence over the organisation and, accordingly, has been consolidated in the Group accounts using the equity method.

Three members are trustees of the Reading Community Welfare Rights Unit (RCWRU), a registered charity and company. The RCWRU received £183k (2015/16: £226k) from Reading Borough Council representing a material proportion of RCWRU's grant income.

The Council's Leader and Managing Director are on the Board of Reading UK CIC, a community interest company that manages the Town Centre Business Improvement District and various other Economic and Business Development activities. All the staff working for the company are seconded from the Council. Although the company's constitution provides that Council connected director's votes are diluted to a weight of less than 20% should they numerically exceed that (which did not happen during 2016/17), the Council does exhibit some influence as the majority of the turnover is derived directly or indirectly from the Council.

18. Dedicated Schools Grant

School funding is provided to Local Authorities by means of a ring-fenced grant from the Department for Education. The split between individual schools is by a formula agreed by local schools through the Schools' Forum; the Forum also agrees the split between the total amount devolved to schools and the amount retained by the Council for central expenditure. Details of the deployment of DSG amounts receivable in 2016/17 is as follows:

2015/16			2016/17		
Central Expenditure £ '000	ISB* £ '000	Total £ '000	Central Expenditure £ '000	ISB* £ '000	Total £ '000
(18,196)	(86,866)	(105,062)	(20,598)	(87,844)	(108,442)
1,927	27,916	29,843	1,766	32,740	34,506
(16,269)	(58,950)	(75,219)	(18,832)	(55,104)	(73,936)
(1,318)	-	(1,318)	1,171	-	1,171
(17,587)	(58,950)	(76,537)	(17,661)	(55,104)	(72,765)
-	-	-	-	(8)	(8)
(17,587)	(58,950)	(76,537)	(17,661)	(55,112)	(72,773)
18,828	-	18,828	20,995	-	20,995
-	58,950	58,950	-	55,112	55,112
(70)	-	(70)	(137)	-	(137)
1,171	-	1,171	3,197	-	3,197

* ISB is the individual schools budget. The above figures show the total devolved to all Local Authority schools and Early Years Single Funding Formula allocations to Private, Voluntary and Independent providers within the Borough.

The deficit carried forward of £3.197m has been transferred to earmarked reserves and offset against the Organisational Change earmarked reserve.

19. Audit fees

The Council's external auditors are EY. The financial year to 31 March 2017 is the second year of a five year appointment. The amounts payable by the Council to EY for external audit services are as follows:

2015/16 £ '000	2016/17 £ '000
117 Fees paid for external audit services	225
20 Fees paid for the certification of grant claims and returns	27
- Fees paid in respect of other services provided	6
137	258

20. Post Balance Sheet Events

Since 5 April 2018, a limited company named Brighter Futures for Children has been established to operate Children Services. A grant of £2.9m to implement the project has been approved by the Secretary of State. Further details of the project are available on the Council's website see <http://news.reading.gov.uk/brighter-futures/>.

Additional audit work has been necessary in respect of the 2016/17 Statement of Accounts. This work commenced during 2017/18 and is ongoing. The original scale fee for 2016/17 was £108,938. The final audit fee will be agreed between the Council and the External Auditors in consultation with Public Sector Audit Appointments.

21. Expenditure and Income Analysed by Nature

This note provides a subjective analysis of the Council's main income and expenditure statement:

2015/16 (Restated) £ '000		2016/17 £ '000
	Employee benefits expenses	
130,280	-Council employees	135,034
14,978	-Voluntary Aided and Foundation Schools	13,754
<u>145,258</u>		<u>148,788</u>
7,646	Depreciation, amortisation, impairment	62,021
34,698	Interest payments	27,398
301,140	Other service expenses	287,553
22,183	Business Rates Tariff	22,368
921	Payments to Housing Capital Receipts Pool	1,182
14,857	Carrying Amount of Non-Current Asset Disposals	11,514
<u>526,703</u>	Total Expenditure	<u>560,824</u>
(128,041)	Revenue from external customers and other service income	(131,276)
(1,783)	Interest and investment income	(1,582)
(122,355)	Income from Council Tax and NDR	(125,739)
(246,037)	Government grants and contributions	(233,709)
(12,581)	Proceeds from the Disposal of Non-Current Assets	(7,444)
<u>(510,797)</u>	Total Income	<u>(499,750)</u>
<u>15,906</u>	(Surplus)/deficit on provision of services	<u>61,074</u>

Segmental Income

Income (Revenue from external customers and other service income) received on a segmental basis is analysed below:

2015/16 (Restated) £ '000	2016/17 £ '000
(9,877) Adult Care and Health Services	(7,629)
(21,506) Corporate Support Services	(21,772)
(23,473) Children, Education and Early Help Services	(19,841)
(35,001) Environment and Neighbourhood Services	(43,593)
(38,184) Housing Revenue Account	(38,441)
<u>(128,041)</u>	<u>(131,276)</u>

The definition of the single entity local authority financial statements has been adapted to include the transactions of local authority maintained schools as if these transactions were recognised in the local authority group accounts. Consequently, the income and expenditure of local authority maintained schools for the year is included in the nature of expenses disclosure above as if this were a disclosure of the group accounts.

Voluntary aided and foundation school employees are not the employees of the Council, however, in terms of the Code, they are required to be consolidated into the single entity financial statements of the Council. Accordingly, employee costs relating to voluntary aided and foundation schools are disclosed above.

22. Amounts included in the Movement in Reserves Statement

2015-16	General Fund Balance (Restated) £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves (Restated) £'000	Total Unusable Reserves (Restated) £'000
Adjustments between accounting basis and funding basis under regulations							
Adjustments primarily involving the Capital Adjustment Account:							
Charges for depreciation and impairment of non-current assets	(50,256)	4,283	-	-	-	(45,973)	45,973
Revaluation (gains) / losses on Property plant and equipment	-	37,835	-	-	-	37,835	(37,835)
Movements in the market value of investment properties	423	-	-	-	-	423	(423)
Amortisation of intangible assets	(117)	-	-	-	-	(117)	117
Capital grants and contributions applied	-	-	-	-	31,649	31,649	(31,649)
Revenue expenditure funded from capital under statute	(9,769)	-	-	-	-	(9,769)	9,769
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,875)	(5,007)	-	-	-	(16,882)	16,882
Statutory provision for the financing of capital investment	4,966	3,865	-	-	-	8,831	(8,831)
Capital expenditure charged against the General Fund and HRA balances	215	1,338	-	-	-	1,553	(1,553)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	16,937	-	-	-	(16,937)	-	-
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,515	6,091	(9,606)	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	937	-	-	937	(937)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(921)	-	921	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	2,054	-	(400)	-	-	1,654	(1,654)
Repayment of Long Term Debtors	-	-	(984)	-	-	(984)	984
Adjustment primarily involving the Major Repairs Reserve							
Reversal of notional Major Repairs Allowance credited to the HRA	-	6,150	-	(6,150)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,150	-	6,150	(6,150)
Adjustments primarily involving the Financial Instruments Adjustment							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are difference from finance costs chargeable in the year in accordance with regulation	(391)	-	-	-	-	(391)	391
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(29,574)	(1,865)	-	-	-	(31,439)	31,439
Employer's pension contributions and direct payments to pensioners payable in year	12,817	276	-	-	-	13,093	(13,093)
Adjustment primarily involving the Collection Fund Adjustment Account							
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	(3,032)	-	-	-	-	(3,032)	3,032
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(1,650)	-	-	-	-	(1,650)	1,650
Adjustments primarily involving the Accumulated Absences Account							
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	(59)	20	-	-	-	(39)	39
Adjustments between accounting basis and funding basis under regulations	(66,717)	52,986	(9,132)	-	14,712	(8,151)	8,151

Notes to the Accounts

2016-17	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Adjustments between accounting basis and funding basis under regulations							
Adjustments primarily involving the Capital Adjustment Account							
Charges for depreciation and impairment of non-current assets	(70,146)	7,333	-	-	-	(62,813)	62,813
Movements in the market value of investment properties	1,201	-	-	-	-	1,201	(1,201)
Amortisation of intangible assets	(111)	-	-	-	-	(111)	111
Capital grants and contributions applied	-	-	-	-	27,534	27,534	(27,534)
Revenue expenditure funded from capital under statute	(11,776)	(33)	-	-	-	(11,809)	11,809
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,863)	(2,281)	-	-	-	(9,144)	9,144
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	5,511	4,379	-	-	-	9,890	(9,890)
Capital expenditure charged against the General Fund and HRA balances	165	480	-	-	-	645	(645)
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	27,022	-	-	-	(27,022)	-	-
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,489	4,226	(5,715)	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,509	-	-	2,509	(2,509)
Use of the Capital Receipts Reserve to repay debt	-	-	1,500	-	-	1,500	(1,500)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,182)	-	1,182	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(278)	-	-	(278)	278
Repayment of Long Term Debtors	-	-	(1,031)	-	-	(1,031)	1,031
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of notional Major Repairs Allowance credited to the HRA	-	7,400	-	(7,400)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,400	-	7,400	(7,400)
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	(421)	-	-	-	-	(421)	421
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(27,624)	(1,106)	-	-	-	(28,730)	28,730
Employer's pension contributions and direct payments to pensioners payable in year	12,698	322	-	-	-	13,020	(13,020)
Adjustment primarily involving the Collection Fund Adjustment Account							
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	6,341	-	-	-	-	6,341	(6,341)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(4,500)	-	-	-	-	(4,500)	4,500
Adjustments primarily involving the Accumulated Absences Account							
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	1,041	27	-	-	-	1,068	(1,068)
Adjustments between accounting basis and funding basis under regulations	(67,155)	20,747	(1,833)	-	512	(47,729)	47,729

23. Usable Reserves

The Usable Reserves of the Council can be used to finance the day-to-day operations of the Council, and its Capital activities. A number of Reserves are earmarked for specific purposes; the movements in year for these are shown below:

2015/16			2016/17		
Bal b/f	Movement	Bal c/f	Bal b/f	Movement	Bal c/f
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
<u>Earmarked Reserves-General Fund</u>					
(3,750)	3,750	-	-	-	-
(200)	-	(200)	(200)	-	(200)
(106)	(2)	(108)	(108)	(116)	(224)
(250)	-	(250)	(250)	-	(250)
(5,400)	400	(5,000)	(5,000)	3,644	(1,356)
(300)	-	(300)	(300)	(787)	(1,087)
(200)	-	(200)	(200)	-	(200)
(3,300)	(2,150)	(5,450)	(5,450)	5,450	-
(9,810)	4,357	(5,453)	(5,453)	3,711	(1,742)
(5,141)	(260)	(5,401)	(5,401)	2,519	(2,882)
<u>(28,457)</u>	<u>6,095</u>	<u>(22,362)</u>	<u>(22,362)</u>	<u>14,419</u>	<u>(7,943)</u>
<u>Earmarked Reserves-HRA</u>					
(9,000)	(100)	(9,100)	(9,100)	(224)	(9,324)
<u>(37,457)</u>	<u>5,995</u>	<u>(31,462)</u>	<u>(31,462)</u>	<u>14,195</u>	<u>(17,267)</u>
Total Earmarked Reserves					

The Council holds these Reserves for the following purposes:

The Emergency Planning Reserve has been created to meet any additional costs arising from flooding and adverse winter weather conditions;

The General Fund Reserve consists of a number of Holding and Suspense Accounts set-up for specific purposes in the General Fund;

The Legal and Taxation Reserve has been set-up as a contingency to help meet unbudgeted legal costs and/or liabilities arising from litigation and other previously unbudgeted legal liabilities and taxation matters;

The Organisational Change Reserve has been established to help meet the costs of the Council's change programmes and associated costs;

The Pension Liabilities Reserve has been formed to cover potential future Pension Fund Liabilities arising from Employer contribution rate fluctuations and/or from organisational change;

The Property Liabilities Reserve was set-up to manage urgent liabilities associated with the Council's property;

The Prudential Reserve was established to enable borrowing and related costs to be phased over time. At the end of 2016/17 the reserve was closed and the balance transferred to General Fund;

The Revenue Grants Unapplied Reserve has been formed to hold Revenue Grant balances where the conditions for use have been met but relevant expenditure has not yet been incurred. The balance will be transferred out to match relevant expenditure as it is incurred in future years;

The Self-Insurance Reserve was formed to meet estimated liabilities in connection with internally-held risks related to the Council's Insurance programme. In particular, the first £100,000 of any claim bought under the Council's Third Party and Employer's Liability Insurance is internally funded; for fire-related claims, the first £50,000 of any claim is internally funded. Following independent review, £2.519m of reserves had been moved to the General Fund at the end of 2016/17; and

The North Whitley PFI Reserve has been established within the HRA balance to ensure that the contracted payment can be sustained over the contract period.

Other usable reserves not specifically discussed in this note are set out in the Movement in Reserves Statement:

- General Fund;
- HRA Balance;
- Capital Receipts Reserve;
- Major Repairs Reserve; and
- Capital Grants Unapplied.

24. Unusable Reserves

The Unusable Reserves of the Council are as follows:

2015/16 (Restated) £ '000	2016/17 £ '000
(128,070) Revaluation Reserve	(178,505)
114 Available for Sale Reserve	762
333,986 Pensions Reserve	450,964
(412,235) Capital Adjustment Account	(385,452)
(1,893) Deferred Capital Receipts	(1,615)
(422) Financial Instruments Adjustment Account	(1)
3,218 Collection Fund Adjustment Account	(3,123)
1,650 Unequal Backpay Account	6,150
2,874 Short term Accumulating Compensated Absences Account	1,806
<u>(200,778)</u>	<u>(109,014)</u>

These Reserves have primarily arisen as a result of accounting treatments that the Council has to follow as a result of the Code. These sums are not available to finance the operations of the Council.

The Revaluation Reserve has been restated up by £29.986m, from £98.084m credit to £128.070m credit, and the Capital Adjustment Account has been restated up by £1.062m, from £411.173m credit to £412.235m credit, to reflect the revaluation of the Council's assets in 2016/17, as explained in Note 2. The Collection Fund Adjustment Account has been restated by £7.9m, from £4.7m credit to £3.2m debit balance, as explained in Note 2.

i. Revaluation Reserve

The Revaluation Reserve carries the gains and losses that have occurred as a result of changes in the value of the Council's Property Holdings:

2015/16 (Restated) £ '000	2016/17 £ '000	2016/17 £ '000
(115,093) Balance at 1st April		(128,070)
(18,265) Upward revaluation of assets	(58,650)	
Downward revaluation of assets and impairment losses not charged to the Comprehensive Income and Expenditure		
- Statement	769	
Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement		(57,881)
849 Accumulated gains on assets disposed of	912	
Difference between fair value depreciation and historic cost		
4,169 depreciation	2,418	
270 Assets Reclassification	4,115	
5,288 Amount written off to the Capital Adjustment Account		7,446
<u>(128,070)</u> Balance at 31st March		<u>(178,505)</u>

ii. Available for Sale Reserve

The Available for Sale Reserve contains unrealised gains and losses on investments classed as Available for Sale. Once investments are sold, and the gain or loss actually realised, this amount is transferred from this Reserve:

2015/16 £ '000	2016/17 £ '000
272 Balance at 1st April	114
(158) Unrealised gains/(losses) on adjustment in fair value of financial instruments	648
<u>114</u> Balance at 31st March	<u>762</u>

iii. Pension Reserve

Full details of the movement in the Pension liability are given in Note 39. The Pensions Reserve adjusts for the timing difference that arises between accounting for post-employment benefits and accounting for Pension Schemes according with statutory provisions. Whilst the Reserve shows a significant deficit, statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid:

2015/16	2016/17
£ '000	£ '000
350,957 Balance at 1st April	333,986
(35,316) Actuarial gains and losses on scheme assets and liabilities	101,268
31,438 Reversal of charges to the Comprehensive Income and Expenditure Statement	28,730
(13,093) Employer's pension contributions	(13,020)
<u>333,986</u> Balance at 31st March	<u>450,964</u>

iv. Capital Adjustment Account

The Capital Adjustment Account absorbs 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 those assets under statutory provisions.

2015/16 (Restated) £ '000		2016/17 £ '000	2016/17 £ '000
	Balance at 1st April		
(340,712)	-As previously reported		(411,173)
(52,582)	-Prior year adjustment (Refer to Note 2)		(1,062)
<u>(393,294)</u>	-As restated		<u>(412,235)</u>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
46,243	Charges for depreciation and impairment of non-current assets	61,710	
(37,835)	Revaluation gains / (losses) on PPE	-	
117	Amortisation of intangible assets	111	
9,769	Revenue expenditure funded from capital under statute	11,809	
17,020	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,144	
(693)	Movement in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(99)	
34,621			82,675
(5,426)	Adjusting amounts written out of the Revaluation Reserve		(7,446)
<u>29,195</u>	Net written out amount of the cost of non-current assets consumed in year		<u>75,230</u>
	Capital financing applied in year:		
(937)	Use of the capital receipts reserve	(2,509)	
(6,149)	Use of the Major repairs reserve	(7,401)	
(31,649)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement which have been applied to capital expenditure	(27,534)	
-	Application of grants to capital financing from the Capital Grants Unapplied Account		
(8,831)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	(9,890)	
984	Repayment of long term debtors	1,031	
(1,554)	Capital expenditure charged against the General Fund and HRA balances	(644)	
<u>(48,136)</u>			<u>(46,947)</u>
	Other Movements		
	- Repayment of Borrowing		(1,500)
<u>(412,235)</u>	Balance at 31st March		<u>(385,452)</u>

v. Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of Non-Current Assets for which cash settlement has not yet taken place. The most significant item recognised within the Reserve is a lease made to Reading Transport Limited (RTL), which is over a period of 10 years:

2015/16 £ '000	2016/17 £ '000
(239) Balance at 1st April	(1,893)
(2,054) New deferred capital receipts recognised	-
400 Transfer to Capital receipts reserve on receipt of cash	278
<u>(1,893) Balance at 31st March</u>	<u>(1,615)</u>

vi. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain Financial Instruments and for bearing losses or benefiting from gains in accordance with statutory provisions:

2015/16 £ '000	2016/17 £ '000
(813) Balance at 1st April	(422)
391 Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from finance costs chargeable in the year in accordance with statutory requirements	421
<u>(422) Balance at 31st March</u>	<u>(1)</u>

vii. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of income in the Comprehensive Income and Expenditure Statement against the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

From 2013/14, as well as affecting Council Tax, transfers between the Comprehensive Income and Expenditure Statement and Collection Fund, entries arise because of changes to the distribution of NNDR. These include the entries that arise because the Council has elected to phase in the charge of its provision for NNDR appeals over 5 years. Due to incorrect entries being made in the prior years the opening position has been restated - refer to note 2 for more details.

2015/16 (Restated) £ '000		2016/17 £ '000
	Balance at 1st April	
(3,342)	As previously reported	(4,754)
<u>3,528</u>	Prior period adjustment(Refer to Note 2)	<u>7,972</u>
186	As restated	3,218
	Amount by which Council Tax and NNDR credited to the Comprehensive Income and Expenditure Statement is different from amounts calculated for 3,032 the year in accordance with statutory requirements	(6,341)
<u><u>3,218</u></u>	Balance at 31st March	<u><u>(3,123)</u></u>

viii. Unequal Pay Backpay Account

As explained in note 36 below the Unequal Pay Backpay Account shows the balance of the Equal Pay Provision that the Council has not funded from revenue resources.

2015/16 £ '000		2016/17 £ '000
	- Balance at 1st April	1,650
1,650	Increase/ (decrease) in unfunded provision for back pay in relation to Equal Pay cases	4,500
<u><u>1,650</u></u>	Balance at 31st March	<u><u>6,150</u></u>

ix. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and HRA balance as a result of accruing for compensated absences earned but not taken as at 31st March. Statutory arrangements require that the impact on the General Fund and HRA balance is neutralised by transfers to or from the Account.

2015/16		2016/17
£ '000		£ '000
2,835	Balance at 1st April	2,874
(1,760)	Settlement or cancellation of accrual made at the end of the preceding year	(2,874)
1,799	Amounts accrued at the end of the current year	1,806
<u>2,874</u>	Balance at 31st March	<u>1,806</u>

25. Property, Plant and Equipment

The following non-current assets are subject to revaluation as set out below:

Asset type	Valuation basis	Date of valuation	Valuation frequency
Council dwellings	Existing Use Value - Social Housing	1 April	Annual
Other land and buildings	Existing Use Value	31 March	Five yearly
Surplus Assets	Fair value	31 March	Annual

Other land and buildings with a value greater than £100,000 have been revalued at 1 April 2015, 31 March 2016 and 31 March 2017 by the external valuer Sanderson Weatherall LLP, undertaken under the direction of Ian Vivian, MRICS.

Surplus assets were valued annually at 31 March, by in-house valuer Steve Hicks, MRICS.

Vehicles, plant and equipment are valued at depreciated historic cost, as a proxy for current value, on the basis that these are low value assets and/or have short lives.

The figures for 2015-16 have been restated as a result of a number of issues identified during the preparation of the 2016-17 accounts, further details of these adjustments can be found in note 2.

Property, Plant and Equipment Movements 2015-16

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Surplus Assets	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or Valuation at 1st April 2015								
-As previously reported	334,354	275,819	21,743	260,456	11,539	-	5,000	908,911
-Prior year adjustment (Refer to Note 2)	65,005	70,064	-	-	-	-	291	135,360
-As restated	399,359	345,883	21,743	260,456	11,539	-	5,291	1,044,271
Additions	10,409	32,360	2,771	14,866	271	-	4,698	65,375
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,066	11,644	(1,233)	(2,092)	(2)	-	300	13,683
Impairment (losses)/reversals through the I and E	-	(22,147)	(2)	-	(97)	-	(5,103)	(27,349)
Impairment (losses)/reversals through the Revaluation Reserve	45,517	(1,551)	-	-	-	-	-	43,966
Derecognition - disposals	(2,125)	(3,809)	(337)	-	-	-	-	(6,271)
Reclassifications	-	-	-	-	-	-	3,000	3,000
Elimination of accumulated depreciation following revaluation	-	(6,276)	-	-	-	-	-	(6,276)
Other movements	-	124	-	-	-	-	-	124
Cost or Valuation at 31st March 2016	458,226	356,228	22,942	273,230	11,711	-	8,186	1,130,523
Accumulated Depreciation at 1st April 2015								
-As previously reported	(5,823)	(28,467)	(11,698)	(54,224)	-	-	-	(100,212)
-Prior year adjustment (Refer to Note 2)	5,823	(34,738)	-	(6,485)	-	-	-	(35,400)
-As restated	-	(63,205)	(11,698)	(60,709)	-	-	-	(135,612)
Depreciation charge for the year	(6,150)	(9,765)	(3,728)	(6,157)	-	-	-	(25,800)
Depreciation written out	-	16	1,231	-	-	-	-	1,247
Depreciation written out to the Revaluation Reserve	-	5	-	-	-	-	-	5
Derecognition - disposals	-	681	240	-	-	-	-	921
Elimination of accumulated depreciation and impairment following revaluation	-	6,293	-	-	-	-	-	6,293
Accumulated Depreciation at 31st March 2016	(6,150)	(65,975)	(13,955)	(66,866)	-	-	-	(152,946)
Net book value as at 31st March 2016	452,076	290,253	8,987	206,364	11,711	-	8,186	977,577

Property, Plant and Equipment Movements 2016-17

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Surplus Assets	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or Valuation at 1st April 2016 (Restated-refer to note 2)								
-As previously reported	406,397	324,449	22,942	273,230	11,711	-	8,186	1,046,915
-Prior year adjustment (Refer to Note 2)	51,829	31,779	-	-	-	-	-	83,608
-As restated	458,226	356,228	22,942	273,230	11,711	-	8,186	1,130,523
Additions	10,307	13,771	3,429	9,102	668	325	3,376	40,978
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36,528	14,050	159	-	-	-	7,914	58,651
Impairment (losses)/reversals through the I and E	14,458	3,157	(46)	(33,931)	(75)	-	(348)	(16,785)
Impairment (losses)/reversals through the Revaluation Reserve	-	(530)	(9)	-	-	-	(230)	(769)
Derecognition - disposals	(1,662)	(7,269)	(4,106)	-	(1)	-	-	(13,038)
Reclassifications	-	(1,178)	-	-	-	-	7,640	6,462
Elimination of accumulated depreciation following revaluation	-	-	(468)	-	-	-	-	(468)
Cost or Valuation at 31st March 2017	517,856	378,229	21,901	248,401	12,303	325	26,538	1,205,553
Accumulated Depreciation at 1st April 2016								
-As previously reported	(6,753)	(32,749)	(13,955)	(60,046)	-	-	-	(113,503)
-Prior year adjustment (Refer to Note 2)	603	(33,226)	-	(6,820)	-	-	-	(39,443)
As restated	(6,150)	(65,975)	(13,955)	(66,866)	-	-	-	(152,946)
Depreciation charge for the year	(7,401)	(8,602)	(3,537)	(25,585)	-	-	-	(45,125)
Depreciation written out	-	799	3,950	-	-	-	-	4,749
Depreciation written out to the Revaluation Reserve	-	231	-	-	-	-	-	231
Derecognition - disposals	27	4	53	-	-	-	-	84
Reclassifications	-	1,882	-	-	-	-	-	1,882
Elimination of accumulated depreciation and impairment following revaluation	-	-	468	-	-	-	-	468
Accumulated Depreciation at 31st March 2017	(13,524)	(71,661)	(13,021)	(92,451)	-	-	-	(190,657)
Net book value as at 31st March 2017	504,332	306,568	8,880	155,950	12,303	325	26,538	1,014,896

26. Investment Properties

The following tables summarise the movement in the fair value of the investment properties over the year:

2015/16 (Restated) £ '000	2016/17 £ '000
15,482 Cost or Valuation at 1st April 2016	11,615
- Additions	23,999
1,747 Net gains/(losses) from changes in fair value	98
(5,100) Derecognition - disposals	(821)
(514) Reclassifications	(8,981)
11,615 Cost or Valuation at 31st March 2017	25,910

Income and expenditure in relation to investment properties and the changes in their fair value comprised:

2015/16 (Restated) £'000	2016/17 £'000
(1,174) Rental Income less expenditure	(899)
5,082 (Gain) or loss on disposal	(88)
(1,747) Change in fair value	(99)
2,161 Per Comprehensive Income and Expenditure Statement	(1,086)

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 the remittance of income and the proceeds of disposal. In addition there are no contractual obligations on the Council to repair, maintain or enhance investment properties.

27. Assets Held for Sale

2015/16 (Restated) £ '000	2016/17 £ '000
6,056 Cost or Valuation at 1st April 2016	-
(3,653) Disposals	-
(2,486) Reclassifications	440
83 Other movements	-
- Cost or Valuation at 31st March 2017	440

The prior year balances and movements have been restated to correct assets reclassified to Assets Held for Sale in error. As the criteria for treating these assets as Assets Held for Sale had not been met, these assets should have been reclassified to Surplus Assets. As a result, the opening balance for the prior year has been reduced from £6.347m to £6.056m.

The in-year movement for the prior year has been restated by reversing reclassifications to Assets Held for Sale of £3m and re-allocating expenditure and impairments of £4.668m to surplus assets. The resultant impact on the closing 2015-16 balance was a decrease from £3.291m to £Nil, with a corresponding increase in Surplus assets (Refer to Note 25 for details).

28. Capital expenditure and the Capital Financing Requirement

The total capital expenditure for the year is shown in the table below, along with the source of financing. Where capital expenditure is financed through borrowing, the expenditure results in an increase in the Capital Finance Requirement (CFR), the movement in the CFR is shown in the second part of the note below.

2015/16 £ '000	2016/17 £ '000
440,840 Opening Capital Finance Requirement	466,441
Capital investment:	
65,375 Property, plant and equipment	40,978
- Investment property	23,999
49 Intangible assets	36
9,769 Revenue Expenditure Funded through Capital Under Statute	11,808
110 Heritage assets	196
- Loan to Reading Transport Limited	1,448
83 Other	366
75,386	78,831
Sources of finance:	
(913) Capital receipts	(2,509)
(31,649) Government grants and other contributions	(27,534)
(1,554) Sums set aside from revenue	(580)
(6,149) Major Repairs Reserve	(7,401)
(40,265)	(38,024)
(9,520) Minimum Revenue Provision	(10,131)
466,441 Closing Capital Finance Requirement	497,117
Movements in year:	
35,121 Increase in underlying need to borrow (unsupported by Government financial assistance)	37,564
- Assets acquired under PFI contracts	3,243
(8,566) Statutory provision for repayment of debt (Minimum Revenue Provision)	(8,127)
(954) Statutory provision for PFI and finance lease debt (Minimum Revenue Provision)	(2,004)
25,601 Increase/(decrease) in Capital Finance Requirement	30,676

29. Capital commitments

At 31st March 2017, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017-18 and future years at a cost of £5.462m. The major commitments are as follows:

2015/16 £ '000	2016/17 £ '000
- South Reading MRT Phase 1b and Phase 2	2,578
- Reading Abbey Revealed	1,575
1,500 School Expansion at EP Collier	466
1,000 School Expansion at Hodsoll Road	417
6,500 School Expansion at Ridgeway Primary School	144
3,000 School Expansion at Southcote Primary School	64
2,500 School Expansion at Churchend Primary School	76
1,900 Transport Consultancy Support	-
1,800 Civic Centre Demolition	466
- Other small schemes	142
18,200	5,928

30. DebtorsLong term debtors

The Council has a number of debtors who are due to repay amounts owed to the Council over a number of years. The balances at the end of the financial year, and the movement during the year are shown below:

	Balance at 1st April 2016 £ '000	New advances recognised £ '000	Advances repaid £ '000	Transfer (to)/from short term £ '000	Balance at 31st March 2017 £ '000
NCP Limited	1,801	-	(266)	(154)	1,381
Reading Transport Limited	7,510	1,448	(1,043)	(1,142)	6,773
Other mortgages and Loans	33	-	(11)	-	22
Other long term debtors	-	-	-	820	820
	9,344	1,448	(1,320)	(476)	8,996

Short Term Debtors

The outstanding debtors due within one year recognised by the Council at the 31st March 2017, net of impairments for bad debts, were:

2015/16 £ '000	2016/17 £ '000
6,589 Central Government Bodies	3,576
4,523 Other Local Authorities	1,320
2,032 NHS Bodies	1,273
15,058 Other entities and individuals (including rent arrears and trade debtors)	17,117
<u>28,202</u> Total	<u>23,286</u>

31. Creditors

The creditors that the Council has an obligation to pay in the next twelve months are as follows:

2015/16 (Restated) £ '000	2016/17 £ '000
(1,668) Central Government Bodies	(11,407)
(889) Other Local Authorities	(2,149)
(1,020) NHS Bodies	(444)
Public corporations and trading funds	(68)
(46,858) Other entities and individuals	(52,867)
<u>(50,435)</u> Total	<u>(66,935)</u>

The creditors note has been restated as provisions were previously erroneously included within this note; for further details, please see note 2 above.

32. Government and non-government grants

All grant receipts in year are assessed to ascertain whether the use of them has conditions attached to them, or merely restrictions on their use. Conditional grants are held within 'receipts in advance' on the balance sheet until the conditions have been met, unconditional grants are credited to the Comprehensive Income and Expenditure Statement when they are received, with any unused balance held in a reserve.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016-17 as follows:

Credited to Taxation and Non-specific Grant Income and Expenditure

2015/16 £ '000	2016/17 £ '000
(24,295) Revenue Support Grant	(16,826)
(6,027) Non specific revenue grants	(7,857)
(10,471) Capital Grants credited to non-specific grant income	(22,380)
(6,466) S106 and other contributions credited to non-specific grant income	(4,642)
<u>(47,259) Total</u>	<u>(51,705)</u>

Credited to Services

2015/16 £ '000	2016/17 £ '000
(78,292) Housing Benefit Subsidy	(74,758)
(79,518) Education Services	(78,523)
(5,832) Community Care	(6,322)
(9,060) Public Health	(10,471)
(6,847) Children and Families	(5,445)
(3,997) HRA PFI grant	(3,997)
(9,773) Other Grants	(11,052)
<u>(193,319) Total</u>	<u>(190,568)</u>

At the 31st March 2017, the Council had a number of grant and other contribution balances remaining that had conditions attached to them, and so have been recognised as capital grants received in advance:

Grants Receipts in Advance (Capital Grants)

2015/16 £ '000	2016/17 £ '000
(45) Miscellaneous Government Grants	(45)
(682) Education grants	(488)
(8,114) Developers' contributions	(9,099)
<u>(8,841) Total</u>	<u>(9,632)</u>

33. Trading Operations

The Council operates trading accounts for the services below:

Housing Building Maintenance

The Council operates a housing building maintenance trading unit that carries out reactive and planned maintenance on the authority's housing stock, as well as for other Local Authorities.

Building Control - Trading Account

The Local Authority Building Control Regulations 2010 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities cannot be charged for such as providing statutory advice or liaising with other statutory authorities. The statement shows the total cost for operating the building control unit for chargeable activities.

2015/16 £ '000	2016/17 £ '000
Housing Building Maintenance	
(7,972) Turnover	(7,489)
7,610 Expenditure	7,624
<u>(363) (Surplus)/deficit</u>	<u>135</u>

2015/16 £ '000	2016/17 £ '000
Building Control Trading Account	
(378) Turnover	(411)
402 Expenditure	412
<u>24 (Surplus)/deficit</u>	<u>1</u>

34. Leases**i. Council as the lessee**

At the 31st March 2017, the value of assets held under finance leases was judged to be immaterial. The Council has one material operating lease for a property held under an operating lease. The future minimum lease rentals payable due under non-cancellable leases in future years are:

2015/16 £ '000	2016/17 £ '000
27	27
108	108
247	220
<u>382</u>	<u>355</u>
Total due	Total due

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to this lease was £27,000 in 2016/17 (£26,000 in 2015/16).

ii. Council as the lessor

- Finance leases

The Council has leased buses to Reading Transport Ltd. The Council's gross investment in the lease is made up of the minimum lease payments expected to be received over the remaining term and the residual value of the assets when the lease(s) come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the assets and the finance income which will be earned by the Council in future years while the debt is still outstanding. The gross investment is disclosed below:

2015/16 £ '000		2016/17 £ '000
	Finance lease debtor (net present value of minimum lease payments):	
1,008	current	1,142
6,500	non-current	6,772
913	Unearned finance income	815
8,421	Gross investment in the lease	8,729

The gross investment in the lease and the minimum lease payments will be received over the following periods:

2015/16			2016/17	
Gross investment in the lease £ '000	Minimum Lease Payments £ '000		Gross investment in the lease £ '000	Minimum Lease Payments £ '000
1,248	1,248	Payments due within one year	1,379	1,379
4,990	4,990	Payments due later than one year and not later than five years	5,623	5,623
2,183	2,183	Payments due later than five years	1,727	1,727
8,421	8,421	Total due	8,729	8,729

- Operating leases

The Council leases out a number of buildings, facilities and pieces of land to businesses, charities and individuals. The forecast minimum lease payments receivable in future years are:

2015/16 £ '000		2016/17 £ '000
1,318	Payments due within one year	2,514
4,578	Payments due later than one year and not later than five years	8,867
	- Payments due later than five years	11,754
5,896	Total due	23,135

35. PFI schemes

The Council is involved in two PFI schemes. One is with FCC (RE3 Limited) for the shared Waste PFI with Bracknell Forest Borough Council and Wokingham Borough Council and the other with Affinity (Reading) Limited for the North Whitley Housing PFI scheme.

i. North Whitley Housing PFI scheme

2016/17 was the thirteenth year of a 30 year PFI contract to manage and maintain 1,374 dwellings on the North Whitley estate to defined availability and quality standard (1,282 dwellings remained as at 31 March 2017). The contract does not provide for transfer of the assets to the contractor or any other third party at the end of the contract on 9 May 2034.

Property, plant and equipment

The assets used to provide services at North Whitley estate are recognised on the Council's balance sheet. Movements in their value are detailed in the analysis of the movement of property, plant and equipment balance at Note 25.

Payments

The Council makes an agreed payment to the contractor which is increased annually by the annual change in the retail prices index measure of inflation. Payments can be increased or decreased for performance and availability. Payments remaining to be made under the contract at 31 March 2017 are as follows:

2015/16				2016/17			
Service cost	Reimbursement of capital expenditure	Interest	Total	Service cost	Reimbursement of capital expenditure	Interest	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
3,594	511	2,367	6,472	3,645	602	2,318	6,565
14,892	1,838	10,086	26,816	15,103	1,712	10,380	27,195
19,829	3,467	12,409	35,705	20,110	3,906	12,194	36,210
21,269	7,445	9,584	38,298	21,569	8,822	8,448	38,839
13,881	8,103	3,011	24,995	9,445	5,811	1,751	17,007
73,465	21,364	37,457	132,286	69,872	20,853	35,091	125,816

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide; the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

2015/16	2016/17
£'000	£'000
(26,237) Opening Balance	(21,364)
4,860 Restatement of opening balance	
(21,377)	
13 Repayment of liability	511
(21,364)	(20,853)

ii. Waste PFI scheme

This is the tenth year of a 25 year waste disposal contract between Reading, Wokingham and Bracknell Forest Councils on the one hand, and RE3 Limited on the other, which expires in 2031/32. Under the contract, RE3 have built a waste transfer station, materials recycling facility, civic amenity site and offices on Council-owned land at Smallmead and a waste transfer station and civic amenity site at Longshot Lane in Bracknell. All three councils have roughly equal rights to use the assets.

The contract specifies the minimum standards for the services to be provided by the contractor, RE3 Ltd, with deductions if facilities are unavailable or performance is below the standards set out in the contract. Under the terms of the contract, existing assets (buildings, plant and equipment) transferred to the contractor for the duration of the contract. The contractor is responsible for the design, build, financing and operation of all the facilities.

At the end of the contract period all the facilities transfer to the Authority at no additional cost.

Value of assets under the PFI contract

2015/16				2016/17		
Land & Bldgs £000s	Plant & Equipment £000s	Total £000s		Land & Bldgs £000s	Plant & Equipment £000s	Total £000s
11,487	2,286	13,773	Balance b/f	11,194	2,195	13,389
			Restatement	54	(5)	49
			Restated balance b/f	11,248	2,190	13,438
			Revaluations	201	159	360
(293)	(91)	(384)	Depreciation	(420)	(117)	(537)
			Impairment	(1,571)	(9)	(1,580)
			Additions	2,651	505	3,156
11,194	2,195	13,389	Bal c/f	12,109	2,728	14,837

Note: the opening balance has been adjusted to bring the value of the assets in line with the value recorded in the Authority's fixed asset register.

Payments

The Council makes payments to the contractor which cover the charge for services provided, repayment of the liabilities and interest on those liabilities. Payments remaining to be made under the contract at 31 March 2017 are set out below:

Notes to the Accounts

2015/16				2016/17				
Service charge £000s	Interest £000s	Repayment of liability £000s	Total £000s		Service charge £000s	Interest £000s	Repayment of liability £000s	Total £000s
8,762	476	268	9,506	Within one year	2,713	497	367	3,578
39,690	1,705	1,273	42,668	2 to 5 years	11,547	1,675	1,727	14,949
61,747	1,566	2,167	65,480	6 to 10 years	16,660	1,421	2,124	20,206
78,455	701	3,053	82,209	11 to 15 years	15,601	480	2,534	18,616
12,038	16	484	12,538	More than 15 years	-	-	-	-
200,692	4,464	7,245	212,401		46,522	4,074	6,752	57,348

The significant reduction in the fair value of services, between 2015/16 and 2016/17, results from a review undertaken in 2016/17 of the financial model underpinning the contract.

The contract generates an annual income stream from third party income forecast as follows:

	2016/17 £000s
Within one year	(115)
2 to 5 years	(460)
6 to 10 years	(575)
11 to 15 years	(487)
More than 15 years	0
	(1,637)

The movement on value of the liabilities outstanding at the year-end are disclosed below:

2015/16 £000s		2016/17 £000s
(7,540)	Balance b/f	(7,245)
	Restatement	105
	Restated balance b/f	(7,140)
295	Repayment	388
(7,245)	Balance c/f	(6,752)

36. Provisions

	Balance at 1st April 2016 (Restated) £ '000	Amounts Used in 2016/17 £ '000	Additional Provisions Made in 2016/17 £ '000	Balance at 31st March 2017 £ '000
Short Term Provisions				
Provision for NNDR Appeals	(8,085)	2,916		(5,169)
Insurance	-	-	(1,660)	(1,660)
Pension Liabilities	(490)	490	-	-
Other	-	-	(650)	(650)
	<u>(8,575)</u>	<u>3,406</u>	<u>(2,310)</u>	<u>(7,479)</u>
Long Term Provisions				
Equal Pay Back Pay	(13,000)	-	(1,000)	(14,000)
Rent deposit guarantee	(320)	-	-	(320)
	<u>(13,320)</u>	<u>-</u>	<u>(1,000)</u>	<u>(14,320)</u>
Total Provisions	<u>(21,895)</u>	<u>3,406</u>	<u>(3,310)</u>	<u>(21,799)</u>

Provisions are shown as restated as they were classified as creditors in error in the published 2015/16 accounts and no separate note was included.

NNDR Appeals - due to the localisation of Business Rates, which became effective from 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of any Business Rate Payers' appeals against rateable valuations.

Insurance Provision - a provision has been made to meet known liabilities on claims under the Council's insurance arrangements. This new provision has been funded by a transfer from the Insurance Reserve.

Equal Pay Backpay Provision - The Council has established an Equal Pay Provision since, under the Equal Pay Act 1970 (as amended), employees are entitled to equal pay for work of equal value. Payments are envisaged in future years, but the extent and final timing of these cannot be fully quantified accurately at the date of these accounts, but depending upon the outcome of legal proceedings could be 10-20% higher than that provided. In respect of £6.15m of the above provisions, the Council has taken advantage of the Local Authorities Capital Finance and Accounting Regulations that provide discretion not to charge the full provision to the accounts, so this sum is not backed by resources. Some of the capital receipts shown in the Capital Receipts Reserve will be used instead.

Rent Deposit Guarantee Provision - The Council provides rent deposit guarantees to help prevent homelessness and the provision has been established for possible claims under such guarantees.

37. Financial Instruments

Financial Instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. These are analysed below:

2015/16			2016/17	
Long Term	Short Term		Long Term	Short Term
£'000	£'000		£'000	£'000
Loans and Receivables				
9,344	16,189	Debtors	8,996	12,334
-	8,324	Cash and cash equivalents	-	22,146
9,344	24,513		8,996	34,480
Available for Sale Assets				
11,939	-	Investments *	14,643	-
21,283	24,513	Total financial assets	23,639	34,480
Financial liabilities at amortised cost				
Loans and Receivables				
(294,522)	(21,074)	Borrowing	(288,291)	(62,667)
-	(25,329)	Creditors	-	(33,791)
(27,710)	(899)	PFI lease liability	(26,637)	(968)
(322,232)	(47,302)	Total financial liabilities	(314,928)	(97,426)

Under the Code of Practice, both short and long term PFI lease liabilities are included on the Balance Sheet as long term liabilities.

The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 30 and 31 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

* The difference in the investments figures, as compared to those in the Balance Sheet, is due to the exclusion of the value of the group investments.

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Total		Financial Liabilities	Financial Assets		Total
2015/16 (Restated)		Amortised Cost	Loans and Receivables	Available for Sale Assets	2016/17
£'000		£'000	£'000	£'000	£'000
14,176	Interest Expense	15,528	-	-	15,528
<u>14,176</u>	Interest payable and similar charges	<u>15,528</u>	<u>-</u>	<u>-</u>	<u>15,528</u>
(1,595)	Interest income	-	(1,582)	-	(1,582)
<u>(1,595)</u>	Interest and Investment Income	<u>-</u>	<u>(1,582)</u>	<u>-</u>	<u>(1,582)</u>
	Net impact on (surplus)/deficit on provision of Services				
<u>12,581</u>		<u>15,528</u>	<u>(1,582)</u>	<u>-</u>	<u>13,946</u>
(158)	Gains on Revaluation	-	-	-	-
-	- Losses on Revaluation	-	-	(648)	(648)
<u>(158)</u>	Impact in Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>(648)</u>	<u>(648)</u>
<u>12,423</u>	Net (Gain)/Loss for the Year	<u>15,528</u>	<u>(1,582)</u>	<u>(648)</u>	<u>13,298</u>

Financial Instruments - Fair Values

Financial liabilities and financial assets classed as financial liabilities at amortised cost and loans and receivables are carried in the balance sheet at amortised cost.

Their fair values can be estimated by calculating the present value of cashflows that will take place over the remaining term of the instruments.

2015/16			2016/17	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
Loans and receivables				
25,533	25,533	Debtors	21,330	21,330
8,324	8,324	Cash and cash equivalents	22,146	22,146
33,857	33,857	Total financial assets	43,476	43,476
Financial Liabilities at amortised Cost				
Borrowing:				
(264,301)	(319,500)	Public Works Loans Board	(264,522)	(355,911)
(30,221)	(48,300)	Lender Option Borrower Option loans	(25,133)	(48,767)
-	-	Other long term loans	(5,189)	(7,549)
(21,074)	(21,074)	Temporary borrowing	(56,114)	(56,114)
(315,596)	(388,874)		(350,958)	(468,341)
(25,329)	(25,329)	Creditors	(33,791)	(33,791)
(28,609)	(51,601)	PFI liabilities	(27,605)	(50,782)
(369,534)	(465,804)	Total	(412,354)	(552,914)

The fair value of creditors, debtors and cash and cash equivalents is assumed to be their carrying value as they are realisable within 12 months. The table above excludes investments already carried at fair value on the balance sheet in line with the Code of Practice on Local Authority Accounting.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Risks Relating to Financial Instruments

The main risks covered are:

- *Credit Risk*: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

The Council has put in place formal policies and procedures for the effective management and control of its treasury management activities. The procedures in place comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management and statutory investment guidance issued under the Local Government Act 2003 and associated secondary legislation. The Council, in

complying with this framework, acknowledges that effective management and control of risk are the prime objectives of its treasury management activities and responsibility for these lie clearly within the Council. The key policy documents are available on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual Investment Strategy, which requires that deposits are only made with UK financial institutions where they meet a minimum credit rating of A- from the three major credit rating agencies. The Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each rating category. The Investment Strategy is contained within the Council's Treasury Management Strategy.

No more than £20m is held with any one institution regardless of standing or duration.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay principal will be specific to each institution. In addition the Council has no history of default from such institutions. Consequently it has not been considered necessary to impair the Council's treasury investments.

The Council is exposed to credit risk on trade debtors for which an impairment allowance has been included in Note 30. The gross past due sundry debtor amount can be analysed by age as follows:

	2016/17 £ '000
Less than one month	1,493
One to three months	730
Four to five months	190
More than five months	2,248
	<u>4,661</u>

Liquidity risk

The Council's policy of maintaining sufficient liquidity to cover three months' of expenditure is monitored regularly. In addition, the Council has access to instant cash accounts with its bank and ready access to borrowing from the Public Works Loans Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is set out below.

2015/16		2016/17
£ '000		£ '000
21,074	Less than one year	62,667
6,394	1 - 2 years	4,966
11,795	2 - 5 years	14,216
15,941	5 - 10 years	22,180
56,500	10 - 25 years	58,000
120,892	25 - 40 years	105,929
83,000	40+ years	83,000
315,596		350,958

Market Risks

Interest Rate Risk

The Council is not exposed to significant risk from interest rate movements because borrowing is largely at fixed rates for fixed long-term durations with limited temporary borrowing. In addition the Council has no exposure to interest rate risk on its investments since it moved to investing in the CCLA pooled property fund.

Price Risk

The Council is exposed to price risk from its investment in the CCLA pooled property fund arising from potential falls in commercial property prices. The risk is limited to the carrying amount of the Council's investment which is currently £14.2m. A 5% fall in commercial property prices would result in a £0.7m charge to Other Comprehensive Income and Expenditure but this would have no impact on council tax until the investment was sold.

38. Fair Value

The basis of valuation of each class of asset and liability measured at fair value is set out below. There has been no change in the valuation techniques used during the year. All assets and liabilities have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset or liability	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities
Borrowing from Public Works Loans Board (PWLB) and Lender Option Borrower Option loans (LOBOs) and Service Concessions	Level 1	The fair values have been estimated by discounting the remaining cashflows or the borrowing using the PWLB certainty rate for new loans	Not required	Not required
Property Fund	Level 3	Closing bid price where bid and offer prices are published	Adjusted for net capital current assets	Estimated acquisition and disposal costs - 5%
Long-term loans	Level 3	Capital value of unpaid loan	Council accounting records	None
Investment property	Level 3	Investment method of valuation	Assumed void periods, estimated rental value. Existing lease terms and rentals	Estimated acquisition and disposal costs - 5%
Non-current assets held for sale and surplus assets	Level 3	Mostly development land which has been valued by staff in the Council's Property Services division who are RICS qualified valuers on a five year rolling programme. Some based on offers received, with adjustments for conditions.	Development land values, site constraints, variables in market evidence, build & site clearance costs, planning permissions/requirements, costs of sale	Planning permissions, estimated disposal costs of 5%

The Council has investments in wholly owned subsidiary companies with a total carrying value of £0.406m. Three of the companies are dormant and one was only set up in 2016/17 and had yet to trade at the year-end. These interests have been excluded from the fair value disclosures because their fair value cannot be measured reliably as there is no market for the companies.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Council's advisers have determined that the valuation methods described above are likely to be accurate to within the following ranges, and have set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

2016/17	Assessed valuation range (+/-)		Value at 31 March 2017 £'000	Value on increase £'000	Value on decrease £'000
	+	-			
Property Fund	5%	5%	14,237	14,949	13,525
Long-term loans	0%	0%	8,996	8,996	8,996
Investment property	5%	5%	25,910	27,206	24,615
Assets held for sale	0%	5%	440	440	418
Surplus assets	0%	5%	26,538	26,538	25,211
Total			76,121	78,128	72,765

2015/16	Assessed valuation range (+/-)		Value at 31 March 2016 £'000	Value on increase £'000	Value on decrease £'000
	+	-			
Property Fund	5%	5%	11,886	12,480	11,292
Long-term loans	0%	0%	9,344	9,344	9,344
Investment property	5%	5%	11,615	12,196	11,034
Assets held for sale	0%	5%	-	-	-
Surplus assets	0%	5%	8,186	8,186	7,777
Total			41,031	42,206	39,447

Fair value hierarchy

The valuation of assets and liabilities measured at fair value has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not

considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Transfer between levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

Reconciliation of fair values within Level 3

2016/17	Fair Value at 31 March 2016	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Fair Value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property fund	11,886	-	-	3,000	-	(649)	-	14,237
Long-term loans	9,344	-	(476)	1,448	(1,320)	-	-	8,996
Investment property	11,615	-	(8,287)	23,999	(1,515)	98	-	25,910
Assets held for sale	-	-	440	-	-	-	-	440
Surplus assets	8,186	7,132	-	3,376	-	8,422	(578)	26,538
Total	41,031	7,132	(8,323)	31,823	(2,835)	7,871	(578)	76,121

2015/16	Fair Value at 31 March 2015	Prior Period Adjustment (see Note 2)	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Fair Value at 31 March
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property fund	4,728	-	-	-	7,000	-	158	-	11,886
Long-term loans	8,675	-	-	-	2,054	(1,385)	-	-	9,344
Investment property	15,482	-	-	(514)	-	(5,100)	1,747	-	11,615
Assets held for sale	6,056	-	-	(2,486)	-	(3,653)	83	-	-
Surplus assets	5,000	291	3,000	-	4,698	-	-	(4,803)	8,186
Total	39,941	291	3,000	(3,000)	13,752	(10,138)	1,988	(4,803)	41,031

Transfers out from Investment Properties and Assets Held For Sale in 2016-17 reflect the reclassification of assets to Other Land and Buildings reflecting the operational nature of the assets.

Transfers into Surplus assets in 2016-17 show the effect of several assets being declared 'surplus' by the Council, having been reclassified from Other Land and Buildings assets.

The following table provides an analysis of the financial and non-financial assets and liabilities of the Council grouped into levels 1 to 3, based on the level at which the fair value is observable.

Notes to the Accounts

2015/16				2016/17			
Quoted market price	Using observable inputs	With significant unobservable inputs	Total	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
-	-	9,344	9,344	-	-	8,996	8,996
-	-	11,886	11,886	-	-	14,237	14,237
-	-	19,801	19,801	-	-	52,888	52,888
-	-	41,031	41,031	-	-	76,121	76,121
Liabilities							
-	(264,301)	-	(264,301)	-	(264,522)	-	(264,522)
-	(30,221)	-	(30,221)	-	(25,133)	-	(25,133)
-	-	-	-	-	(5,189)	-	(5,189)
-	(21,074)	-	(21,074)	-	(56,114)	-	(56,114)
-	(28,609)	-	(28,609)	-	(27,605)	-	(27,605)
-	(344,205)	-	(344,205)	-	(378,563)	-	(378,563)

39. Post-employment benefits

The Council materially contributes to two pension schemes: the Local Government Pension Scheme, and the Teachers' Pension Scheme; details of contributions and scheme performance are set out in notes i and ii below.

i. Teachers' Pension Scheme

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

The Scheme itself is a defined benefit scheme. The Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The notional fund is valued every four years. The Scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £4m to the Teachers Pensions Agency in respect of teachers' retirement benefits representing 16.48% of pensionable pay (in 2015/16 £4m was paid representing 16.48% of pensionable pay). There were no contributions payable at the year end. The expected contributions to the Teachers' Pension Scheme for 2017/18 are £4m, unchanged from 2016/17.

ii. Local Government Pension Schemes

As part of the terms and conditions of employment the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them when employees earn their future entitlement.

The Council participates in two post-employment schemes:

(i) The Royal Berkshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS), and is administered by the Royal Borough of Windsor and Maidenhead. This is a defined benefit scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. The Council is responsible for the liabilities of the Council and a share (16.69%) of liabilities of the former Berkshire County Council.

(ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they fall due.

Transactions relating to post-employment benefits

The Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees 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 post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. During the year the following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement.

a) Impact on the Comprehensive Income and Expenditure Account

2015/16 £ '000		2016/17 £ '000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service costs comprising:		
19,431	Current Service costs	17,614
236	Past service cost	245
34	(Gain)/loss from settlements	(1,202)
232	Administration expenses	235
Financing and Investment Income and Expenditure		
11,506	Net Interest on defined liability	11,838
<u>31,439</u>	Total post employment benefits charged to (Surplus)/deficit on provision of services	<u>28,730</u>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
16,487	Return on plan assets, excluding the amount included in the net interest expense	(44,093)
-	Actuarial gains/(losses) arising from changes in demographic assumptions	(7,180)
(51,239)	Actuarial gains/(losses) arising from changes in financial assumptions	161,235
(565)	Other	(8,694)
<u>(3,878)</u>	Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	<u>129,998</u>
Movement in Reserves Statement		
(31,439)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(28,730)
Actual amount charged against the General Fund balance for pensions in the year:		
12,164	Employer contributions payable to the scheme	12,116
929	Benefits paid direct to beneficiaries	904
<u>(18,346)</u>	Total Movement in Reserves	<u>(15,710)</u>

During 2016/17, there were 8 additional early retirements (2015/16: 7 early retirements).

b) Reconciliation between the fair value of assets and liabilities and the balance sheet liability

2015/16 £ '000		2016/17 £ '000
(643,733)	Present value of funded obligation	(815,975)
<u>321,301</u>	Fair value of scheme assets (bid value)	<u>377,012</u>
(322,432)	Net liability	(438,963)
<u>(11,554)</u>	Present value of unfunded obligation	<u>(12,001)</u>
<u>(333,986)</u>	Net Liability in balance sheet	<u>(450,964)</u>

c) Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2015/16	2016/17
£ '000	£ '000
(678,937) Opening present value of liabilities	(655,287)
(19,431) Current service cost	(17,614)
(22,610) Interest cost	(23,703)
Remeasurement gain/(loss):	
- Actuarial gains/(losses) arising from changes in demographic assumptions	7,180
51,239 Actuarial gains/(losses) arising from changes in financial assumptions	(161,235)
564 Other	8,694
292 Loss on curtailments/settlements	-
18,672 Benefits paid	17,385
(528) Past service costs	(244)
(4,548) Contributions from scheme participants	(4,581)
- Liabilities extinguished on settlements	1,429
<u>(655,287) Closing defined benefit obligation</u>	<u>(827,976)</u>

d) Reconciliation of the Movement of the fair value of the Plan Assets

2015/16	2016/17
£ '000	£ '000
327,988 Opening fair value of scheme assets	321,301
11,104 Interest income	11,866
Return on assets less interest	
Remeasurement gain/(loss):	
(16,487) Return on plan assets, excluding the amount included in the net interest expense	37,773
- Other	6,320
(232) Administration expenses	(237)
13,093 Contributions by employer	13,020
4,549 Contributions by employees into the scheme	4,580
(18,680) Net benefits paid out	(17,384)
(34) Gains on settlements	(227)
<u>321,301 Fair value of scheme assets at end of period</u>	<u>377,012</u>

Basis for estimating assets and liabilities

Liabilities have been estimated on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the LGPS and unfunded discretionary benefits liabilities have been valued by Barnett Waddingham, an independent firm of actuaries with estimates for the Berkshire Pension Fund being based on the latest full valuation as at 31 March 2016.

e) The Principal Assumptions

The principal assumptions used by the actuary are set out below:

2015/16 Years	Life expectancy assumptions	2016/17 Years
	Longevity at 65 for current pensioners	
22.9	Men	23.0
26.2	Women	25.0
	Longevity at 65 for future pensioners	
25.2	Men	25.1
28.6	Women	28.8

%	Financial assumptions	%
3.3	RPI	3.6
2.4	CPI	2.7
3.7	Discount rate	2.8
2.4	Pension increases	2.7
4.2	Salary increases	4.2

f) Scheme Assets

2015/16 £ '000	2016/17 £ '000	
145,268	Equities	183,921
4,680	Gilts	-
44,061	Other Bonds	56,193
37,561	Property	51,979
16,206	Cash	39,550
60,470	Target Return Portfolio	38,939
10,592	Commodities	6,249
15,358	Infrastructure	19,142
(12,895)	Longevity Insurance	(18,961)
321,301	Total	377,012

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The Royal Berkshire Pension Scheme entered into a longevity insurance contract to cover all members of the Fund who had started receiving their pension by the end of July 2009 and their dependants. The fund will, in effect, pay inflation-linked fixed premiums to the Insurer who, in exchange, will pay the actual pension amounts due; this removes the longevity risk to the Fund in respect of the members covered. The contract is treated as a negative asset within the Fund's accounts.

g) Sensitivity Analysis

The above figures are based on the Actuary's best estimates for future movements in inflation and life expectancy. The impact on the Pension Fund of slight changes to these assumptions is shown below:

Impact on the defined benefit obligation

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease by 1 year)	28,705	(27,655)
Rate of inflation (increase or decrease by 0.1%)	13,680	(13,401)
Rate of increase in salaries (increase or decrease by 0.1%)	2,089	(2,072)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(15,443)	15,770

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 23 years and this will shorten in future years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The provisions of the LGPS and the Fund were amended with effect from 1 April 2014. Prior to that date benefits were based on members' final salaries, whereas for service after that date benefits are based on career average salaries.

h) Estimate of contributions for 2017/18

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 are £15.2m (£12.1m in 2016/17).

40. Contingent liabilities

The Council's previous insurer, Municipal Mutual Insurance (MMI), went into a solvent run-off in September 1992 and is subject to a contingent scheme of arrangement which became effective in January 1994. In November 2012 the Directors of the company resolved to trigger the Scheme of Arrangement as a

solvent run-off could no longer be foreseen. Ernst and Young, the Scheme Administrator imposed an initial levy of 15% in January 2014 under the terms of the scheme. A further levy of 10% was imposed by the Scheme Administrator in April 2016 and based on information currently held; the final aggregate levy may be up to 28%. The Council has sufficient resources in the Earmarked Insurance Reserve to cover any further anticipated levy.

41. Contingent Assets

In 2014/15 the Council, with the assistance of its tax advisers, submitted a VAT claim to Royal Mail totalling approximately £1.6m. The recovery of the sum involved is dependent upon the outcome of legal action involving other Local Authorities.

The Council has a potential claim against a contractor who had developed a Supported Living development. Discussions and negotiations are ongoing and the final recovery is not expected to exceed £1m.

42. Notes to the Cashflow Statement

Note A - Operating Activities

2015/16 (Restated) £ '000	2016/17 £ '000
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements :	
6,706 Depreciation of property, plant and equipment	(45,125)
(16,320) Impairment and downward valuations	(17,554)
(117) Amortisation	(111)
(10,986) (Increase)Decrease in Creditors	(13,987)
(8,201) Increase/(Decrease) in Debtors	(4,294)
101 (Increase)/Decrease in Inventories	-
(18,346) Pension Liability	(15,710)
(16,882) Carrying amount of non-current assets sold	(9,144)
2,364 Other non-cash movements	226
<u>(61,681)</u>	<u>(105,699)</u>
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
16,937 Capital Grants credited to surplus or deficit on the provision of services	27,022
39 Net adjustment from the sale of short and long term investments	-
Proceeds from the sale of short and long term investments	-
20 Premiums or Discounts on the repayment of financial liabilities	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	5,715
<u>11,580</u>	<u>5,715</u>
<u>28,576</u>	<u>32,737</u>

Note B - Interest

Operating activities within the cashflow statement include the following cashflows relating to interest:

2015/16	2016/17
£ '000	£ '000
(1,352) Interest Received	(1,550)
11,167 Interest Paid	15,259
9,815	13,709

Note C - Investing Activities

2015/16	2016/17
£ '000	£ '000
Purchase of Property, Plant and Equipment, investment property and 68,404 intangible assets	65,285
158,924 Purchase of short and long term investments	3,352
- Other payments for Investing Activities	1,448
Proceeds from the sale of property plant and equipment, investment (9,926) property and intangible assets	(5,715)
(166,939) Proceeds from short-term and long-term investments	-
(16,416) Other Receipts from Investing Activities	(29,770)
34,047 Total Cash Flows from Investing Activities	34,600

Note D - Financing Activities

2015/16	2016/17
£ '000	£ '000
(17,520) Cash receipts of short and long term borrowing	(197,120)
5,316 Billing Authorities - Council Tax and NNDR adjustments	(2,224)
12,563 Repayment of Short-Term and Long-Term Borrowing	162,182
Cash payments for the reduction of the outstanding liabilities relating to 997 finance leases and on-balance sheet PFI contracts	628
1,356 Total Cash Flows from Financing Activities	(36,534)

Note E - Cash and Cash Equivalents

2015/16	2016/17
£ '000	£ '000
8,324 Cash and Bank Balances	22,146
<u>8,324</u>	<u>22,146</u>

43. Third Party Funds

The Council administers a number of bank accounts on behalf of clients by acting as the appointee or deputy. The clients concerned can no longer manage their own affairs, usually because of mental incapacity or severe physical disability. As at 31 March 2017, the Council administered £2.52m (31 March 2016: £2.07m) within 371 (31 March 2016: 307) bank accounts. The assets are not owned by the Council and have therefore not been included in the financial statements.

Housing Revenue Account

Income and Expenditure Account and Movement on the HRA

2015-16 Restated £'000	2016-17 £'000
Expenditure	
9,484 Repairs and Maintenance	9,154
8,124 Supervision and Management	8,319
356 Rents, Rates, Taxes and Other Charges	293
588 Revenue Funding of Capital	-
60 Increase/(decrease) in Provision for Bad or Doubtful Debts	-
(41,979) Depreciation, Impairment and Revaluation losses/(gains) in relation to Non-current Assets	(7,088)
29 HRA share of Non-Distributed Costs (IAS past service costs)	(180)
88 Debt Management Costs	109
<u>(23,250)</u> Total HRA Expenditure	<u>10,607</u>
Income	
(36,267) Dwellings Rents	(35,743)
(642) Non-dwellings Rents	(690)
(1,072) Charges for Services and Facilities	(1,104)
(3,997) Grant (PFI)	(3,997)
(92) Contributions towards Expenditure	(137)
<u>(42,070)</u> Total HRA Income	<u>(41,671)</u>
<u>(65,320)</u> Net Cost of HRA services as included in the whole-authority Income and Expenditure Account	<u>(31,064)</u>
605 HRA services share of Corporate and Democratic Core	614
<u>(64,715)</u> Net cost of HRA Services including HRA share of costs not allocated to specific services	<u>(30,450)</u>
(1,084) (Gain) or loss on sale of HRA non-current assets	(1,946)
8,625 Interest payable and similar charges	8,730
(114) HRA interest and investment income	(58)
591 Pensions interest costs and expected return on pension assets	677
<u>(56,697)</u> (Surplus) or deficit for the year on HRA Services	<u>(23,047)</u>

Notes to the Housing Revenue Account**1. The Housing Revenue Account (HRA)**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with the Code, rather than the amount to be funded from rents and grants. The Council charges rents to cover expenditure in accordance with regulations; however, these may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

2. Analysis of the amounts included within 'Adjustments between accounting basis and funding basis under regulations' and 'Transfers to or from reserves' within the Movement in the HRA Statement:

2015/16 Restated £'000	2016/17 £'000
Movement on the Housing Revenue Account Statement	
(18,345) Balance on the HRA at the end of the previous reporting period	(21,956)
Adjustments between the accounting basis and funding basis:	
(56,697) (Surplus) or deficit for the year on the HRA Services	(23,047)
6,150 Transfer to Major Repairs Reserve	7,401
1,084 (Gain) or loss on sale of HRA non-current assets	1,946
750 Capital expenditure funded from the HRA	416
45,989 Transfer to/from the Capital Adjustment Account (CAA)	11,740
<u>(2,724) Net (increase) or decrease before transfers to or from reserves</u>	<u>(1,544)</u>
(1,283) Transfer to/(from) Pension Reserve	(1,106)
Employers's contributions payable to the Pension Fund and retirement	
276 benefits payable direct to pensioners	322
20 Accumulated absences adjustment	27
100 Transfers (to) or from earmarked reserves - PFI Smoothing Reserve	224
<u>(3,611) Increase or (decrease) in year on the HRA</u>	<u>(2,077)</u>
(21,956) Balance on the HRA at the end of the current reporting period	(24,033)
(9,100) Earmarked reserves - PFI Smoothing Reserve	(9,324)
<u>(31,056) Total HRA Reserves</u>	<u>(33,357)</u>

3. Prior Period Adjustments

i. North Whitley Housing PFI scheme

The HRA Income and Expenditure Account has been restated for 2015/16 to reflect the recalculation of the liabilities under the North Whitley Housing PFI contract. This has resulted in:

- a) an increase in the service charge element of the unitary payment of £0.538m from £3.406m to £3.944m;
- b) an increase in the interest element of the unitary payment of £0.151m from £2.215m to £2.366m; and
- c) a reduction in the repayment of principal on the capital element of the contract of £0.689m from £0.702m to £0.013m.

ii. Dwellings valuation restatement

The HRA Income and Expenditure Account has been restated for 2015/16 to reflect the restatement of the valuation of HRA dwellings. The restatement was to correct the split of the HRA stock valuation between land and buildings and the understatements of depreciation arising. This has resulted in:

- a) a net reduction in the reversal of impairments of £24.140m from £72.416m CR to £48.276m CR; and
- b) an increase in the gain on disposal of HRA dwellings of £1.001m from £0.083m to £1.084m.

iii. Investment income restatement

The HRA Income and Expenditure Account has been restated to reflect the reclassification of investment property to operational land and buildings. As a result £0.227m of the income has been transferred from investment income to non-dwellings rent income.

iv. Other land and buildings

Depreciation charges for non-dwellings (principally garages) have been restated from £0.145m to £0.162m following the revaluation of Other Land and Buildings referred to in Note 2 to the main statement of accounts.

Housing Revenue Account

	As previously stated 2015-16 £000s	PFI restatement £000s	Dwellings valuation restatement £000s	Investment property income reclassification £000s	Other land and buildings £000s	Restated 2015-16 £000s
HRA Income and Expenditure Account						
Repairs and Maintenance	5,540	3,944	-	-	-	9,484
Supervision and Management	11,530	(3,406)	-	-	-	8,124
Depreciation, Impairment and Revaluation losses/(gains) in relation to Non-current Assets	(66,128)	-	24,140	(8)	17	(41,979)
Total HRA Expenditure	(47,937)	538	24,140	(8)	17	(23,250)
Non-dwellings rents	(415)	-	-	(227)	-	(642)
Total HRA Income	(41,843)	-	-	(227)	-	(42,070)
Net Cost of HRA services as included in the whole-authority Income and Expenditure Account	(89,780)	538	24,140	(235)	17	(65,320)
(Gain) or loss on sale of HRA non-current assets	(83)	-	(1,001)	-	-	(1,084)
Interest payable and similar charges	8,474	151	-	-	-	8,625
HRA interest and investment income	(341)	-	-	227	-	(114)
(Surplus) or deficit for the year on HRA Services	(80,534)	689	23,139	(8)	17	(56,697)

As a result of the above, there is a decrease in the HRA reserves of £0.147m from £22.103m to £21.956m.

	As previously stated 2015-16 £000s	PFI restatement £000s	Dwellings valuation restatement £000s	Investment property income reclassification £000s	Other land and buildings £000s	Restated 2015-16 £000s
Movement on the Housing Revenue Account Statement						
Balance on the HRA at the end of the previous reporting period	(18,345)	-	-	-	-	(18,345)
(Surplus) or deficit for the year on the HRA Services	(80,534)	689	23,139	(8)	17	(56,697)
Adjustments between the accounting basis and funding basis:						
Transfer to Major Repairs Reserve	6,900	-	(750)	-	-	6,150
(Gain) or loss on sale of HRA non-current assets	83	-	1,001	-	-	1,084
Capital expenditure funded from the HRA	-	-	750	-	-	750
Transfer to/from the Capital Adjustment Account (CAA)	70,680	(689)	(23,993)	8	(17)	45,989
Increase or (decrease) in year on the HRA	(3,758)	-	147	-	-	(3,611)
Balance on the HRA at the end of the current reporting period	(22,103)	-	147	-	-	(21,956)
Earmarked reserves - PFI Smoothing Reserve	(9,100)	-	-	-	-	(9,100)
Total HRA Reserves	(31,203)	-	147	-	-	(31,056)

4. The Council's Dwelling Stock

At 31st March 2017, the Council was responsible for managing a housing stock of 6,875 dwellings, including 1,282 within the North Whitley PFI scheme (31st March 2016: 6,883 dwellings, 1,289 in the PFI scheme). The changes in stock were as follows:

2015/16	2016/17
6,914 Opening number of dwellings	6,883
<i>Additions</i>	
New builds	11
5 Purchased	3
12 Brought back into use	5
<u>17</u>	<u>19</u>
<i>Removals</i>	
47 Right to buy sales	26
1 Sale of shared ownership dwellings	1
Non-right to buy sales	0
Demolished for regeneration purposes	0
<u>48</u>	<u>27</u>
<u>6,883</u> Closing number of dwellings	<u>6,875</u>

These dwellings are of the following types:

2015/16		2016/17
Number		Number
of		of
3,922	Houses and bungalows	3,902
2,961	Flats	2,973
<u>6,883</u>	Total dwellings	<u>6,875</u>

The total Balance Sheet value of the Council's HRA assets at 31st March 2017 was £504m (31st March 2016: £452m restated at 31 March 2016), split across the following areas:

Housing Revenue Account

2015/16 Original £ '000	2015/16 Restated £ '000		2016/17 £ '000
		Operational assets:	
399,644	452,076	Dwellings	504,332
2,184	2,184	Other land and buildings	9,002
2,356	2,356	Non-operational assets	
404,184	456,616	Total asset value	513,334

The value of the HRA dwellings was restated to reflect a revision to the estimated split of land and building components within the overall asset valuation.

Dwellings are initially valued at open market value assuming vacant possession. The vacant possession value of the HRA tenanted dwellings was £1,527m (£1,412m at 31 March 2016). The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA reflects that tenancies are held on a secure basis without vacant possession.

The Balance Sheet value is determined by applying the Government prescribed discount factor (the vacant possession discount factor) to the vacant possession value of the stock. The vacant possession discount factor was 33% (32% in 2015/16).

5. The Major Repairs Reserve (MRR)

The MRR receives transfers from the HRA representing depreciation of HRA dwelling assets. The reserve is used to finance HRA capital expenditure.

The transfer to the MRR from the HRA in 2015/16 has been restated to correct the understatement of depreciation in 2015/16:

2015/16 Restated £ '000		2016/17 £ '000
-	Balance on the MRR as at 1st April	-
	Transfers from Housing Revenue Account:	
6,150	- Depreciation on dwellings	7,400
-	- Depreciation on non-dwellings	-
(6,150)	Financing of capital expenditure	(7,400)
<u>-</u>	Balance on the MRR as at 31st March	<u>-</u>

6. HRA capital expenditure

During 2016/17, the Council incurred £10.6m capital expenditure on land, houses and other properties within the HRA (2015/16: £10.4m). The detail of expenditure and the methods of financing are detailed below:

2015/16		2016/17
£ '000		£ '000
	HRA capital expenditure:	
9,957	Housing	10,141
461	Other	427
<u>10,418</u>		<u>10,568</u>
	Financed by:	
(1,679)	Borrowing	(1,796)
(913)	Capital Receipts	(843)
(6,150)	MRR	(7,401)
(1,338)	Revenue Contributions	(416)
(338)	Grants	(112)
<u>(10,418)</u>		<u>(10,568)</u>

7. HRA capital receipts

During the year, the Council disposed of 26 dwellings to tenants under the Right to Buy scheme. The disposals generated total capital receipts of £4.1m, of which £1.182m was paid to Central Government as the Council's contribution to the Central Housing Pool. £12m of HRA capital receipts was held by the Council as at 31st March 2017 to be used on replacement housing.

8. Interest

£8.7m (2015/16: £8.6m) was charged in total to the HRA, of this £2.3m (2015/16: £2.4m) related to the Housing PFI scheme (see note 35 in the main accounts).

9. Impairments

During 2016/17 there was an £14.715m impairment reversal (£48.276m in 2015/16) credited to the HRA. The credits in 2015/16 reverse the impairment of HRA assets which mainly dates back to 2010/11.

The restatement of the credit for 2015/16 follows a review of capital accounting undertaken during 2016/17, explained in Note 1 to the HRA.

2015/16 Restated £ '000	2016/17 £ '000
(12,261) Land	(14,458)
(36,008) Dwellings	
(6) Other properties	(257)
(48,276)	(14,715)

10. Depreciation

The total charge for depreciation for dwellings and other properties within the HRA was £7.627m in 2016/17 (£6.297m in 2015/16) as set out below.

2015/16 Restated £ '000	2016/17 £ '000
Operational assets:	
6,150 Dwellings	7,400
145 Other Properties	227
2 Non-operational assets	-
6,297	7,627

11. Rent Arrears and other debts

At the 31st March 2017, the rent arrears were £776,057 (2015/16: £828,023); a provision of £600,000 in respect of uncollectable debts has been recognised on the Balance Sheet (2015/16: £600,000).

Collection Fund Account

The Collection Fund Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council as billing authority in relation to the collection from tax payers and distribution to precepting bodies and the Government of Council Tax and Non-Domestic Rates.

2015/16 (Restated) Business Rates £ '000	2015/16 (Restated) Council Tax £ '000	2015/16 (Restated) Total £ '000		2016/17 Business Rates £ '000	2016/17 Council Tax £ '000	2016/17 Total £ '000
Income:						
-	(80,954)	(80,954)	Council Tax receivable	-	(86,374)	(86,374)
-	21	21	Council Tax benefits	-	20	20
	(80,933)	(80,933)		-	(86,354)	(86,354)
			Business Rates receivable (net of discretionary and mandatory relief)	(113,422)	-	(113,422)
(109,335)	-	(109,335)				
(109,335)	(80,933)	(190,268)	Total income	(113,422)	(86,354)	(199,776)
Expenditure:						
Apportionment of previous year's surplus:						
868	-	868	Central Government	500		500
850	1,888	2,738	Reading Borough Council	490	202	692
17	86	103	Royal Berkshire Fire Authority	10	9	19
-	226	226	Thames Valley Police		24	24
1,735	2,200	3,935		1,000	235	1,235
Precepts, demands and shares:						
52,608	-	52,608	Central Government	53,650		53,650
51,556	68,462	120,018	Reading Borough Council	52,577	72,470	125,047
1,052	3,042	4,094	Royal Berkshire Fire Authority	1,073	3,128	4,201
-	8,210	8,210	Thames Valley Police		8,523	8,523
105,216	79,714	184,930		107,300	84,121	191,421
Payment of Business Rates to the National Pool						
27	5	32	Write off of uncollectable amounts	-	12	12
(97)	1,450	1,353	Allowance for impairments	722	975	1,697
4,100	-	4,100	Provision for appeals	(5,950)	(550)	(6,500)
270	-	270	Cost of collection allowance	272	-	272
			Transitional protection payment	(122)	-	(122)
4,300	1,455	5,755		(5,078)	437	(4,641)
111,251	83,369	194,620	Total Expenditure	103,222	84,793	188,015
1,916	2,436	4,352	Movement on the fund balance	(10,200)	(1,561)	(11,761)
(Surplus)/deficit brought forward						
(2,916)	(2,229)	(5,145)	As previously reported	(1,000)	207	(793)
7,200	-	7,200	Prior period adjustment	7,200	-	7,200
4,284	(2,229)	2,055	As restated	6,200	207	6,407
(Surplus)/deficit on the Collection Fund as at 31 March						
6,200	207	6,407		(4,000)	(1,354)	(5,354)

(Surplus)/Deficit on the Collection Fund

The (surplus)/deficit on the Collection Fund is attributable to the Council, Thames Valley Police, Royal Berkshire Fire Authority and Central Government as follows:

2015/16 (Restated) £ '000	2015/16 (Restated) £ '000	2015/16 (Restated) £ '000		2016/17 £ '000	2016/17 £ '000	2016/17 £ '000
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
3,100	-	3,100	Central Government	(2,000)	-	(2,000)
3,038	179	3,217	Reading Borough Council	(1,960)	(1,163)	(3,123)
62	8	70	Royal Berkshire Fire Authority	(40)	(52)	(92)
-	20	20	Thames Valley Police	-	(139)	(139)
<u>6,200</u>	<u>207</u>	<u>6,407</u>	Total	<u>(4,000)</u>	<u>(1,354)</u>	<u>(5,354)</u>

The Business Rates figures in the Collection Fund have been restated for 2015/16 as during the preparation of the 2016/17 accounts it was identified that the entries for the appeals provision had been understated in prior years. This resulted in a change from a £5.1m surplus to a £2.1m deficit on the Collection Fund as at 1st April 2015.

Further details of the changes and the impact on the Council's financial statements are provided in Note 2 to the main accounts.

Notes to the Collection Fund Account

1. Prior Period Adjustment

During 2016/17 the Council identified that the establishment of the business rates appeals provision in 2013/14 had been understated by £9.6m. £2.4m was corrected in 2014/15, leaving an uncorrected understated balance of £7.2m, which has been adjusted for in the Collection Fund by restating the balance brought forward on the Collection Fund at 1 April 2015.

2. National Non-Domestic Rates

The Council collects business rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by Central Government, which are set out below.

2015/16	Non-domestic rateable value and multipliers	2016/17
£249,711,720	Non-domestic rateable value at 31 March	£254,697,476
49.3p	Business rate multiplier - standard rate	49.7p
48.0p	Business rate multiplier - small business rate	48.4p

3. Council Tax

Council Tax is charged on residential properties based upon valuation bandings established when the system was introduced in 1993. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) was approved by Full Council In January 2016, and is summarised in the table below:

2015/16				2016/17	
Number of Band D Equivalent Dwellings	Band	Range of Property Values	Taxable Properties	Ratio	Number of Band D Equivalent Dwellings
3,106	A	Up to £40,000	4,717	6/9	3,145
9,131	B	From £40,001 to £52,000	11,881	7/9	9,241
22,286	C	From £52,001 to £68,000	25,232	8/9	22,428
9,340	D	From £68,001 to £88,000	9,440	9/9	9,440
6,080	E	From £88,001 to £120,000	5,008	11/9	6,121
4,385	F	From £120,001 to £160,000	3,055	13/9	4,413
2,869	G	From £160,001 to £320,000	1,728	15/9	2,880
123	H	£320,001 upwards	59	18/9	118
57,320			61,120		57,786
(6,530)	Less: Council Tax Support Scheme & forecast changes				(6,090)
50,790					51,696
(635)	Less: allowance for non-collection				(646)
50,155	Taxbase for the year				51,050

Group Accounts

1. Introduction

The Council has reviewed its relationships with its partner organisations to determine whether there are any entities that should be considered as part of the Council's 'group'. Four wholly owned organisations have been identified as needing to be consolidated within the Group:

- Reading Transport Limited (RTL);
- Reading Economic Development Company Limited (REDCo);
- Acre Road Industrial Estate Limited (ARIEL); and
- Queens Road Car Park Limited (QRCL)

In addition to the above companies, the Council has a 49% interest in the Reading-Hampshire Property Partnership (RHPP) - refer to Note 17 for details. This is a joint venture arrangement and has been consolidated in the group accounts on the equity basis. This basis only consolidates the Council's share of the net assets of RHPP at 31 March 2017 which equated to £490.

RTL was founded in 1986 to meet the requirements of the Transport Act, and provides local bus services within the Greater Reading and West Berkshire areas, along with holidays and excursions, and the provision of drivers and buses for private hire. Reading Borough Council owns 100% of the share capital and is able to control the operating, governance and financial policies of the company. In addition, the Council has two representatives on the Board of Directors.

REDCo is the holding company for the other limited companies listed above; Ariel was formed to provide start-up industrial units on the Acre Road industrial estate and QRCP was formed to provide a new multi-storey car park on Queens Road. These companies are no longer actively trading.

2. Financial Performance

The activities and performance of each of the subsidiaries and the RHPP joint venture during the year 2016/17 is set out below:

RTL: As at 31st March 2017, net current assets were £3.18m (£0.764m in 2015/16).

REDCO: The group's net current assets were £nil (as at 31st March 2017 £nil); in 2016/17 the company broke even (2015/16: broke even).

RHPP: At 31 March 2017 net assets were £1,000 (£1,000 in 2015/16).

The group accounts are consolidated using the Council accounts prepared under the CIPFA code, as modified for IFRS, with RTL's which is prepared under FRS102 and

RHPP is consolidated under the equity method by including the Council's share of the net assets which equates to £490. The expenditure and funding analysis is only reported for RBC due to the difference in preparing the financial statements and the different operation of these entities.

3. Group Financial Statements

The Council is required to produce financial statements for the group, together with supporting notes, where there is a material difference to the single entity statement.

The following statements have been prepared:

- The Group Movement in Reserves Statement, which combines the in-year movements of the financial reserves of the Council (as shown on pages 47 and 48), with those of the Group entities, providing the overall change in the Council's total reserves.
- The Group Comprehensive Income and Expenditure Statement, which brings together the Comprehensive Income and Expenditure Statement produced by the Council and the Profit and Loss Statement produced by Reading Transport Limited.
- The Group Balance sheet, which recognises the year end position of all of the group entities.
- The Group Cashflow statement, which consolidates the cashflow statements for the Council and RTL only, as REDCo has no cashflows, and RHPP is accounted on the equity basis.

4. Group Accounting Policies

The Accounting policies for the subsidiary companies are not materially different to those of the Council, set out in Note 1 to the Main Accounts. The following differences are recognised:

Basis of accounts production

The Council is required to produce its accounts in accordance with the CIPFA Code of Practice, whereas RTL produces its accounts in line with FRS102 and the Companies Act 2006. Work has been carried out to look at the accounting treatment of the major items within the RTL accounts to see if there is a material difference between the Company's treatment of them, and the treatment that would be required under the CIPFA Code of Practice. No material items requiring adjustment have been identified.

Depreciation of Property, Plant and Equipment

Except for freehold land, depreciation is calculated so as to write off the cost of the asset less their estimated residual value on a systematic basis over the

expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Fixed Asset Category	Depreciation Basis
Buildings	2% - 4% straight line
Plant and Machinery	10% - 20% straight line
Buses	6 2/3% - 33% straight line
Other Vehicles	9½% - 33% straight line

This property, plant and equipment policy has not been changed to match the Council's methodology as the change would not be material to the group. The depreciation charge in the Income and Expenditure Account for 2016/17 for RTL is £2.9m (2015/16: £2.8m).

Capital Grants

Capital grants received by Reading Transport Limited (RTL) are accounted for under the provisions of FRS102 and the company has opted to use the performance model, whereby capital grants are initially credited to deferred income and released to income over the expected useful lives of the relevant assets in equal annual instalments. The deferred income balances are analysed between long-term and short-term and reflected in the Balance Sheet as such.

Although this methodology is acceptable under UK GAAP, this policy is not compliant with the Code under which the group accounts have been prepared. In prior periods this divergence with the Code has not been considered material; however, in the current year RTL received grants of £1.389m which is considered to be material.

Accordingly, the group accounts have been amended to comply with the Code. The effect of this adjustment is to increase grant income by £1.389m with a corresponding reduction in short-term creditors and long term lease liabilities of £0.049m and £1.34m respectively. The grant income has subsequently reversed from the General Fund to the Capital Adjustment Account through the Movement in Reserves Statement. Although there are grant creditor balances totalling £0.288m, these have not been adjusted for on the grounds of immateriality.

Group Financial Statements

The Group Movement in Reserves Statement is shown on pages 47 and 48.

Group Comprehensive Income and Expenditure Statement

2015/16 Gross Expenditure £ '000	2015/16 Gross Income £ '000	2015/16 Net expenditure £ '000		2016/17 Gross Expenditure £ '000	2016/17 Gross Income £ '000	2016/17 Net expenditure £ '000
70,862	(27,487)	43,375	Adult Care and Health Services	67,918	(23,688)	44,230
118,400	(95,058)	23,342	Corporate Support Services	111,736	(94,621)	17,115
162,072	(109,947)	52,125	Children, Education and Early Help Services	167,804	(105,371)	62,433
110,118	(35,169)	74,949	Environment and Neighbourhood Services	133,732	(41,234)	92,498
24,384	(25,873)	(1,489)	Transport Services	27,069	(28,396)	(1,327)
(22,645)	(42,070)	(64,715)	Housing Revenue Account	11,186	(41,673)	(30,487)
463,191	(335,604)	127,587	Net Cost of Services	519,445	(334,983)	184,462
		3,077	Other Operating Expenditure			5,232
		26,996	Financing and Investment Income and Expenditure			25,831
		(142,987)	Taxation and Non-specific Grant income			(156,465)
		14,673	(Surplus)/deficit on provision of services			59,060
		65	Tax expense - Corporation tax payable			106
		14,738	Group (Surplus)/deficit on the Provision of Services			59,166
		(18,265)	(Surplus)/deficit on revaluation of non current assets			(57,882)
		(158)	Valuation (gains)/losses in Fair Value of investments			648
		(38,797)	Actuarial gains/(losses) on pension assets/liabilities			106,255
		696	Deferred Tax on Pension liability (RTL)			(369)
		(41,786)	Total Comprehensive Income & Expenditure			107,818

Group Balance Sheet

2014/15 (Restated) £ '000	2015/16 (Restated) £ '000		2016/17 £ '000	2016/17 £ '000
399,359	452,076	Council Dwellings	504,332	
286,856	294,336	Other Land & Buildings	310,551	
30,171	31,565	Plant, Furniture & Equipment	32,255	
199,747	206,364	Infrastructure Assets	155,950	
11,539	11,711	Community Assets	12,303	
449	180	Assets under construction	1,936	
		Assets held for sale	-	
5,291	8,186	Surplus Assets	26,538	
933,412	1,004,418	Property, Plant & Equipment		1,043,865
825	917	Heritage Assets	1,113	
15,482	11,615	Investment Properties	25,910	
458	476	Intangible Assets	396	
4,772	11,943	Long Term Investments	14,647	
38	1,836	Long Term Debtors	2,224	
21,575	26,787			44,290
954,987	1,031,205	Long Term Assets		1,088,155
6,056	-	Assets Held for Sale	440	
390	518	Inventory	583	
37,463	33,077	Short Term Debtors	27,653	
15,000	-	Short Term Investments	-	
31,486	11,415	Cash and Cash Equivalents	25,284	
90,395	45,010	Current Assets		53,960
1,045,382	1,076,215	Total Assets		1,142,116
(9,525)	(21,074)	Short Term Borrowing	(62,667)	
(60,760)	(52,469)	Short Term Creditors	(71,232)	
(3,200)	(11,450)	Short Term Provisions	(7,479)	
(11,008)	(8,841)	Grants Received in advance	(9,632)	
(84,493)	(93,834)	Current Liabilities		(151,010)
960,889	982,381	Total Assets less Current Liabilities		991,106
(301,116)	(294,522)	Long Term Borrowing	(288,291)	
(8,186)	(10,154)	Long Term Finance Lease Liabilities	(9,387)	
(28,917)	(28,609)	PFI Lease Liabilities	(27,605)	
-	-	PFI Deferred Income	(1,637)	
(11,860)	(13,971)	Provisions	(14,963)	
(365,127)	(347,655)	Liability related to defined benefit pension scheme	(469,550)	
(715,206)	(694,911)	Long Term Liabilities		(811,432)
245,683	287,470	NET ASSETS		179,674
		Financed by:		
(90,494)	(86,692)	Usable Reserves	(69,271)	
(155,189)	(200,778)	Unusable Reserves	(110,403)	
(245,683)	(287,470)	TOTAL RESERVES AND BALANCES		(179,674)

Group Cash Flow Statement

31 March (Restated) 2016 £ '000	31 March 2017 £ '000
14,737	59,166
Net (surplus)/deficit on the provision of services	
(62,476)	(108,081)
Adjust net (surplus)/deficit on the provision of services for non-cash movements (Note A)	
28,262	34,616
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	
(19,477)	(14,299)
Net cash flows from Operating Activities	
35,336	39,182
Investing Activities (Note C)	
4,212	(38,752)
Financing Activities (Note D)	
20,071	(13,869)
Net (increase)/decrease in cash and cash equivalents	
31,486	11,414
Cash and cash equivalents at the beginning of the reporting period	
11,414	25,284
Cash and cash equivalents at the end of the reporting period	

Notes to the Group Cashflow Statement are provided in Note 5

Notes to the Group Accounts

1. Group Comprehensive Income and Expenditure Statement

This Statement shows the expenditure and income for the Group analysed by Service and how these amounts were financed.

The Notes to the Group Comprehensive Income and Expenditure Statement have been reproduced only where there is a material difference from those in the Council's Comprehensive Income and Expenditure Statement. The material changes from the Comprehensive Income and Expenditure Statement are:

- a. Inclusion of Reading Transport Limited (RTL) expenditure (net of transactions with other Group bodies) totalling £26.8m within Transport Services;
- b. Inclusion of RTL income (net of transactions with other Group bodies) totalling £28.4m within Transport Services;
- c. Inclusion of pensions interest costs and return on assets for RTL (2016/17: net costs of £2.7m, 2015/16: net costs of £2.0m) **(excluding actuarial losses)**

Reading Transport Limited have a different year end to Reading Borough Council being at the end of September rather than at the end of March; this is principally because all the major service changes within the bus industry take place at the beginning of September each year.

RTL operates a 13 x four-week management accounting system (meaning their year end will not be the exact same day every year) and in previous years the RTL figures in the Council's Group Accounts were based on the 13 periods from Period 7 to Period 6 (for example in 2015-16, the figures in the Council's accounts were for the period from 16 March 2015 to 13 March 2016).

In order to now better align with Reading Borough Council's year end, RTL provided interim accounts for the year ended 31 March 2017 (and will continue to provide accounts in future aligning with the Council's year end). These RTL accounts as at 31 March 2017 were audited by the finance team at the Council and have been used to calculate the figures and disclosures in the Group Accounts.

The Notes to the Comprehensive Income and Expenditure Statement are not materially altered by the inclusion of the subsidiaries in these Accounts, and therefore the Notes provided to the Main Accounts are valid with the exception of Note 7. The information described below supplements the information provided on these pages.

2. Pension Costs

In previous years, pension disclosures have been based on the individual year end of Reading Transport Limited's Financial Statements. Hence, this meant in 2015-16 the pension disclosures were based on their year end accounts as at 27 September 2015.

However, in 2016-17 Reading Transport Limited has provided Actuary reports for the year ended 31 March 2017, in line with the year end date of Reading Borough Council. Therefore, the 2016-17 pension disclosures in this note are based on an 18 month period from 27 September 2015 to 31 March 2017.

RTL operates two defined benefit pension schemes for employees:

- Employees at 20 October 1986 have been deemed to be employees of RBC for pension purposes and are members of the Local Government Pension Scheme (LGPS), to which the company contributes in accordance with the LGPS regulations.
- Employees who joined the company between 20th October 1986 and 31st March 2010, together with any employees who were eligible for the LGPS and who wished to leave that scheme, were eligible to join the Reading Transport Staff Retirement Scheme. This scheme was closed to new members from April 2010.

The funds are valued every three years by independent qualified actuaries, the rates of contribution payable being determined by the actuaries (the most recent valuation was at 31st March 2013). Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from the employees' services. Variations in the pension cost are spread over the expected service lives on current employees.

RTL also operates a defined contribution pension scheme for the benefit of employees who joined the company after April 2010.

No other retirement benefits are provided to RTL employees.

Group Accounts

a) Reconciliation of the present value of defined benefit scheme obligations

2015/16			2016/17		
RTL	RBC	Group	RTL	RBC	Group
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
(68,645)	(678,937)	(747,582)	(69,956)	(655,287)	(725,243)
(1,351)	(19,431)	(20,782)	(2,360)	(17,614)	(19,974)
(2,561)	(22,610)	(25,171)	(3,594)	(23,703)	(27,297)
(87)	51,803	51,716	(19,213)	(145,361)	(164,574)
(72)	(4,548)	(4,620)	(96)	(4,581)	(4,677)
2,730	18,672	21,402	4,336	17,385	21,721
30	-	30	45	1,429	1,474
-	292	292	-	-	-
-	(528)	(528)	-	(244)	(244)
<u>(69,956)</u>	<u>(655,287)</u>	<u>(725,243)</u>	<u>(90,838)</u>	<u>(827,976)</u>	<u>(918,814)</u>

b) Reconciliation of fair value of plan assets

2015/16			2016/17		
RTL	RBC	Group	RTL	RBC	Group
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
50,932	327,988	378,920	56,287	321,301	377,588
1,931	(5,382)	(3,451)	17,398	49,639	67,037
4,074	-	4,074	(79)	6,320	6,241
(13)	(232)	(245)	(21)	(237)	(258)
2,051	13,093	15,144	2,952	13,020	15,972
72	4,549	4,621	96	4,580	4,676
(2,760)	(18,680)	(21,440)	(4,381)	(17,384)	(21,765)
-	(34)	(34)	-	(227)	(227)
<u>56,287</u>	<u>321,301</u>	<u>377,588</u>	<u>72,252</u>	<u>377,013</u>	<u>449,265</u>

c) Reconciliation to the balance sheet

2015/16			2016/17		
RTL	RBC	Group	RTL	RBC	Group
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
(69,583)	(643,733)	(713,316)	(90,415)	(815,975)	(906,390)
56,287	321,301	377,588	72,252	377,012	449,264
<u>(13,296)</u>	<u>(322,432)</u>	<u>(335,728)</u>	<u>(18,163)</u>	<u>(438,963)</u>	<u>(457,126)</u>
(373)	(11,554)	(11,927)	(423)	(12,001)	(12,424)
<u>(13,669)</u>	<u>(333,986)</u>	<u>(347,655)</u>	<u>(18,586)</u>	<u>(450,964)</u>	<u>(469,550)</u>

d) Amounts recognised in the Comprehensive Income and Expenditure Statement

2015/16			2016/17		
RTL	RBC	Group	RTL	RBC	Group
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Comprehensive Income and Expenditure Statement					
Included in cost of services:					
1,351	19,431	20,782	2,360	17,614	19,974
-	236	236	-	245	245
-	34	34	-	(1,202)	(1,202)
13	232	245	-	235	235
Financing and Investment Income and Expenditure					
630	11,506	12,136	502	11,838	12,340
1,994	31,439	33,433	2,862	28,730	31,592
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement:					
3,480	(35,317)	(31,837)	4,986	101,268	106,254
5,474	(3,878)	1,596	7,848	129,998	137,846
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code					
-	(31,439)	(31,439)	-	(28,730)	(28,730)
Actual amount charged against the General Fund Balance for pensions in the year:					
Employer's contributions payable to the Scheme and Retirement Benefits payable to Pensioners					
-	12,164	12,164	-	12,116	12,116
Benefits paid direct to beneficiaries					
-	929	929	-	904	904
Total Movement in Reserves					
-	(18,346)	(18,346)	-	(15,710)	(15,710)

e) Major categories of plan assets as a percentage of total plan assets

2015/16		2016/17
%		%
Major categories of plan assets		
37.56%	Equities	32.94%
12.60%	Other bonds	0.00%
10.00%	Property	30.21%
34.02%	Cash	8.68%
0.36%	Gilts	2.41%
4.53%	Target return portfolio	9.47%
0.88%	Commodities	0.35%
1.06%	Infrastructure	1.07%
-1.00%	Longevity Insurance	-1.10%
<u>100.00%</u>		<u>100.00%</u>

Principal actuarial assumptions:

2015/16		2016/17
%		%
3.60	Discount rates	2.10
	Expected rates of return on plan assets:	
2.40	Future salary increases	2.10
3.30	Inflation assumption (RPI)	3.20
2.40	CPI increase	2.20
3.00	Future pension increases - pre 1997*	2.40
3.40	Future pension increase - pre 1997 - 2006*	2.60
2.20	Future pension increases	2.20

* applicable to the Reading Transport Staff Retirement Scheme only

3. Balance Sheet

All of the eight material prior year adjustments (PPAs) in the Group accounts relate to Reading Borough Council and do not relate to any of the group subsidiaries; explanation of these adjustments can be found in note 2 to the main accounts.

However, in addition to these PPAs the group Balance Sheet for 2015-16 has been further restated as a result of the incorrect treatment of the deferred tax asset in Reading Transport Limited. The balance of £2.734m was deducted from the pension liability resulting in an understatement of the pension liability and current debtors by this amount. The effect of the further restatement is to increase the current debtors balance by £2.734m and the pension liability by £2.734m. No other balances were affected and there were no impacts on the Comprehensive Income and Expenditure Statement.

Group Accounts

The notes to the group balance sheet are not materially changed by the inclusion of the subsidiaries in these accounts; therefore the notes provided in the Main Accounts still apply, with the exception of the following notes:

Group Property, Plant & Equipment

2015-16	Dwellings £ '000	Other land and Buildings £ '000	Vehicles, Plant and Equipment £ '000	Infrastructure assets £ '000	Community Assets £ '000	Assets under £ '000	Surplus Assets £ '000	Total £ '000
Cost or Valuation at 1st April 2015 (Restated-refer to Note 2)								
As previously reported	334,354	281,685	59,352	260,456	11,539	449	5,000	952,835
Prior Year adjustment	65,005	70,064	-	-	-	-	291	135,360
As Restated	399,359	351,749	59,352	260,456	11,539	449	5,291	1,088,195
Additions	10,409	32,360	5,763	14,866	271	180	4,698	68,547
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	5,066	133	(1,233)	(2,092)	(2)	-	-	1,872
Revaluation increases/ (decreases) recognised in the I and E	-	11,511	-	-	-	-	300	11,811
Impairment (losses)/ reversals through the I and E	45,517	(22,147)	(2)	-	(97)	-	(5,103)	18,168
Impairment (losses)/ reversals through the Revaluation Reserve	-	(1,551)	-	-	-	-	-	(1,551)
Derecognition - disposals	(2,125)	(3,809)	(337)	-	-	-	-	(6,271)
Reclassifications	-	-	449	-	-	(449)	3,000	3,000
Elimination of accumulated depreciation and impairment following revaluation	-	(6,276)	-	-	-	-	-	(6,276)
Other Movements	-	124	-	-	-	-	-	124
Cost or Valuation at 31st March 2016	458,226	362,094	63,992	273,230	11,711	180	8,186	1,177,619
Accumulated Depreciation at 1st April 2015								
-As previously reported	(5,823)	(30,155)	(29,182)	(54,224)	-	-	-	(119,384)
-Prior period adjustment (Refer to Note 2)	5,823	(34,738)	-	(6,485)	-	-	-	(35,400)
As restated	-	(64,893)	(29,182)	(60,709)	-	-	-	(154,784)
Depreciation charge for the year	(6,150)	(9,860)	(4,716)	(6,157)	-	-	-	(26,883)
Depreciation written out to the I and E	-	16	1,231	-	-	-	-	1,247
Depreciation written out to the Revaluation Reserve	-	5	-	-	-	-	-	5
Derecognition - disposals	-	681	240	-	-	-	-	921
Elimination of accumulated depreciation and impairment following revaluation	-	6,293	-	-	-	-	-	6,293
Accumulated Depreciation at 31st March 2016	(6,150)	(67,758)	(32,427)	(66,866)	-	-	-	(173,201)
Net book value as at 31st March 2016	452,076	294,336	31,565	206,364	11,711	180	8,186	1,004,418

Group Accounts

2016-17	Dwellings £ '000	Other land and Buildings £ '000	Vehicles, Plant and Equipment £ '000	Infrastructure assets £ '000	Community Assets £ '000	Assets under construction £ '000	Surplus Assets £ '000	Total £ '000
Cost or Valuation at 1st April 2016 (Restated-refer to Note 2)			-					
As previously reported	406,397	330,315	63,992	273,230	11,711	180	8,186	1,094,011
Prior year adjustment (Refer to Note 2)	51,829	31,779		-	-	-	-	83,608
As Restated	458,226	362,094	63,992	273,230	11,711	180	8,186	1,177,619
Additions	10,307	13,771	7,411	9,102	668	1,431	3,376	46,066
Revaluation increases/(decreases) recognised in the I & E	-	-	-	-	-	325	-	325
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36,528	14,050	159	-	-	-	7,914	58,651
Impairment (losses)/reversals through the I and E	-	3,157	(46)	(33,931)	(75)	-	(348)	(31,243)
Impairment (losses)/reversals through the Revaluation Reserve	14,458	(530)	(9)	-	-	-	(230)	13,689
Derecognition - disposals	(1,662)	(7,269)	(5,512)	-	(1)	-	-	(14,444)
Reclassifications	-	(1,178)	-	-	-	-	7,640	6,462
Elimination of accumulated depreciation and impairment following revaluation	-	-	(468)	-	-	-	-	(468)
Cost or Valuation at 31st March 2017	517,857	384,095	65,527	248,401	12,303	1,936	26,538	1,256,657
Accumulated Depreciation at 1st April 2016								
-As previously reported	(6,753)	(34,532)	(32,427)	(60,046)	-	-	-	(133,758)
-Prior year adjustment (Refer to Note 2)	603	(33,226)	-	(6,819)	-	-	-	(39,442)
As restated	(6,150)	(67,758)	(32,427)	(66,865)	-	-	-	(173,200)
Depreciation charge for the year	(7,401)	(8,705)	(4,830)	(25,585)	-	-	-	(46,521)
Depreciation written out to the I and E	-	799	3,950	-	-	-	-	4,749
Depreciation written out to the Revaluation Reserve	-	231	-	-	-	-	-	231
Derecognition - disposals	26	4	(433)	-	-	-	-	(403)
Reclassifications	-	1,884	-	-	-	-	-	1,884
Elimination of accumulated depreciation and impairment following revaluation	-	-	468	-	-	-	-	468
Accumulated Depreciation at 31st March 2017	(13,525)	(73,545)	(33,272)	(92,450)	-	-	-	(212,792)
Net book value as at 31st March 2017	504,332	310,550	32,255	155,951	12,303	1,936	26,538	1,043,865

- **Group Short Term Debtors**

The intra-group transactions have been removed from short term debtors in both the subsidiary and the Council's results. There were no movements on other types of debtors. All of the debtors of the subsidiaries were classed as sundry debtors. The outstanding sundry debtors as at 31st March for the group were:

2015/16 Group (Restated) £'000	2016/17		
	RBC	RTL	Group
	£'000	£'000	£'000
33,077 Sundry Debtors	21,929	5,724	27,653
<u>33,077</u>	<u>21,929</u>	<u>5,724</u>	<u>27,653</u>

- **Group Short Term Creditors**

The intra-group transactions have been removed from sundry creditors in both the subsidiaries and the Council's results. The outstanding sundry creditors of the group as at 31st March were as follows:

2015/16 Group (Restated) £'000	2016/17		
	RBC	RTL	Group
	£'000	£'000	£'000
(52,469) Sundry Creditors	(65,542)	(5,690)	(71,232)
<u>(52,469)</u>	<u>(65,542)</u>	<u>(5,690)</u>	<u>(71,232)</u>

4. Comprehensive Income and Expenditure Statement

- Capital grants and contributions

2015/16 Group £'000	2016/17		
	RBC £'000	RTL £'000	Group £'000
Grants credited to non-specific grant (10,470) income	(22,380)	(1,389)	(23,769)
S106 and other contributions credited (6,466) to non-specific grant income	(4,642)	-	(4,642)
<u>(16,936) Total</u>	<u>(27,022)</u>	<u>(1,389)</u>	<u>(28,411)</u>

5. Notes to the Group Cash Flow Statement

Note A - Operating Activities

2015/16 (Restated) £ '000	2016/17 £ '000
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	
3,925 Depreciation	(50,599)
(16,320) Impairment and downward valuations	(12,328)
166 Amortisation	(111)
(11,023) (Increase)/Decrease in Creditors	(17,877)
(7,854) Increase/(Decrease) in Debtors	(969)
129 Increase/(Decrease) in Inventories	65
(17,082) Pension Liability	(17,104)
- Contributions to/(from) Provisions	8
(16,882) Carrying amount of non-current assets sold	(9,759)
2,465 Other non-cash movements	592
<u>(62,476)</u>	<u>(108,081)</u>
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
16,937 Capital Grants credited to surplus or deficit on the provision of services	28,394
39 Net adjustment from the sale of short and long term investments	-
20 Premiums or Discounts on the repayment of financial liabilities	
11,266 Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,222
<u>28,262</u>	<u>34,616</u>

Note B - Interest

2015/16 £ '000	2016/17 £ '000
Operating activities within the cashflow statement include the following cash flows relating to interest	
(1,362) Interest Received	(1,621)
14,404 Interest Paid	15,699
13,042	14,078

Note C - Investing Activities

2015/16 £ '000	2016/17 £ '000
- Purchase of property, plant and equipment, investment property and 69,248 intangible assets	70,779
158,924 - Purchase of short-term and long-term investments	3,352
- - Other payments for investing activities	-
(10,608) - Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,222)
- - Capital grants	-
(166,940) - Proceeds from short-term and long-term investments	-
(15,288) - Other receipts from investing activities	(28,727)
35,336 Total Cash Flows from Investing Activities	39,182

Note D - Financing Activities

2015/16 £ '000	2016/17 £ '000
(17,520) Cash receipts of short- and long-term borrowing	(197,120)
(35) Other receipts from financing activities	(1,136)
Cash payments for the reduction of the outstanding liabilities relating to 135 finance leases and on-balance sheet PFI contracts (Principal)	2,105
16,316 Repayments of short- and long-term borrowing	163,225
5,316 Other payments for financing activities	(5,826)
4,212 Total Cash Flows from Financing Activities	(38,752)

Note E - Cash and Cash Equivalents

2015/16 £ '000	2016/17 £ '000
11,415 Cash and Bank Balances	25,284
11,415	25,284

Glossary

Accounting Period

The period of time covered by the Council's Statement of Accounts. The Council's financial year covers the period 1 April to 31 March.

Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting these financial statements.

Accounting Standards

A set of accounting rules governing how financial statements are to be prepared (see International Financial Reporting Standards).

Accrual

The recognition of income and expenditure in the year that benefits to these amounts occur and not when any cash amounts are received or paid.

Accumulated Absences Account

This account represents the value of Council employees' annual leave rolled over from one financial year to another.

Acre Road Industrial Estate Limited (ARIEL)

A subsidiary company owned by the Council which was formed to provide industrial starter unites at Acre Road.

Actuary

An independent adviser to the Council regarding the year-end financial position of the Pension Fund.

Actuarial Valuation

Every three years, the Council reviews the assets and liabilities of the Pension Fund and reports on the Fund's financial position and recommended employers' contribution rates. The last full valuation of the Scheme was in 2016.

Amortisation

The write-down of an Intangible Asset or loan balance to the Comprehensive Income and Expenditure Statement over an appropriate time period. To represent a measure of the economic benefits derived from Fixed Assets that are consumed during the period.

Assets held for sale

Capital Assets within the Council's Estate that it is actively looking to sell.

Balance Sheet

A summary of all the assets, liabilities and other balances of the Council at the end of an accounting period.

Budget

A forecast of future expenditure and income plans for the Council. Detailed Revenue Budgets are prepared for each year-end and it is on the basis of these sums that Council Tax is determined. Budgets are revised during the year for changes as necessary.

Business Improvements District (BID)

A levy raised within an area of the town paid for by an additional charge to town centre businesses in addition to their Business Rates liabilities, the levy income being managed by Reading UK CIC as the BID promoter.

Capital Adjustment Account

Represents amounts set aside from Revenue or Capital Receipts to finance capital expenditure on Property, Plant and Equipment (PPE) or for the repayment of external loans or certain other capital financing transactions.

Capital Expenditure

Expenditure on the purchase of new PPE or expenditure which adds to the value of an existing PPE asset.

Capital Financing Requirement

Represents the Council's need to borrow for a Capital purpose.

Capital Grants Received in Advance

Capital Grants and contributions that have conditions which may require future repayment if not spent.

Capital Grants Unapplied

Grant sums that will be used to fund future Capital Expenditure.

Capital Receipt

Income received from the sale of capital assets, including Land or Buildings.

Capital Receipts Reserve

Represents proceeds from the sale of capital assets available to fund future Capital financing or to repay debt.

Cash Equivalents

Cash Equivalents are investments held by the Council, with a total investment term of three months or less, and that are readily convertible into a known amount without penalty.

Cashflow Statement

A record of the Council's cash inflows and outflows arising from transactions with third parties throughout the year.

Collection Fund

A statutory Account maintained to record the transactions relating to the collection and distribution of National Non-Domestic Rates (NDR) and Council Tax, separate to those of the Council's other activities.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the timing differences between accounting for Business Rates and Council Tax on an accounting and statutory basis.

Components

Significant and separately-identifiable parts of a larger asset that either contribute a major part of the overall value of the asset or which have a vastly different useful economic life to the host asset.

Comprehensive Income and Expenditure Statement (CIES)

An annual statement summarising the income and expenditure from the Council's Services during the year demonstrating how costs have been financed from Government grants and income from local taxpayers.

Contingent Assets

Items that the Council believes that it is due to benefit from in the future, but the timing and/or amounts involved are uncertain. Disclosure is by way of a Note to the Accounts.

Contingent Liabilities

Where possible 'one-off' future liabilities or losses are identified but the level of uncertainty is such that the creation of a Provision is not appropriate.

Corporate Management Team (CMT)

The Officers with overall responsibility for the day-to-day leadership, direction and management of the Council.

Council Tax

A local tax based on historic banded Property values, which contributes to the total income of the Council (and precepting bodies).

Creditors

Monies owed by the Council to external parties for goods and services received.

Debtors

Monies owed to the Council by individuals and organisations.

Dedicated Schools Grant (DSG)

Ring-fenced sums received from the Department for Education (DfE) and used to finance Schools' budgets.

Deferred Capital Receipts

An Account that holds the gains recognised on the disposal of capital assets, for which cash settlement has not yet been received (for example historic Council mortgages).

Deferred Income (Receipt in Advance)

This represents an amount received as a result of the Council entering into a building lease. The receipt is subsequently released over the lease term.

Deferred Liabilities

Future sums that the Council is contractually obliged to pay in future years. These liabilities often relate to Private Finance Initiative (PFI) Schemes.

Defined Benefit Pension Scheme

An Employer Pension Scheme which defines benefits independently of the contributions payable. Within this type of Scheme, the Council is committed to a specified monthly benefit on retirement for employees that is predetermined by a formula based upon employees' earnings histories as opposed to dependency on individual investment returns within the Pension Fund.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of capital assets, whether arising from use, the passage of time or obsolescence through technological or other changes.

Dwelling Stock

The Houses owned by the Council, and as included within the Housing Revenue Account.

Earmarked Reserves

Amounts set aside for a specific purpose to meet future expenditure commitments or potential liabilities, for which it is not appropriate to establish separate provisions.

Fair Value

In relation to the value of Financial Instruments, this is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Finance Lease

A lease that substantially transfers the risks and rewards associated with the ownership of an asset to the lessee.

Financial Instrument

A contract that gives rise to the creation of a financial asset for one entity and Corresponding financial liability or equity instrument of another.

Financial Instrument Adjustments Account

This Account represents the balance of deferred discounts or premia relating to the premature redemption of Public Works Loans Board (PWLB) debt.

Freehold

An asset (usually Land or Buildings) that the Council owns and does not lease.

General Fund (GF)

The major Revenue Account from which the costs of providing the majority of the Council's Services are met.

Gross Spending

The total cost of supplying services before any income such as Government Grants, fees and charges are deducted.

Group Accounts

Where the Council has a material interest in a separate entity, this entity's assets and liabilities may need to be incorporated within a set of Group Accounts. If an Authority does control an entity, it is defined as a subsidiary for accounting purposes.

Heritage Asset

An asset with historic, artistic, or scientific qualities held and maintained primarily for its contribution to knowledge and culture.

Historic Cost

Where the value of an asset is defined by past purchase price rather than current market value.

Homes for Reading Limited

A subsidiary company owned by the Council which was formed to purchase and rent homes in the private sector.

Housing Revenue Account (HRA)

A summary Account within the Statement of Accounts maintained separately from the General Fund in order to itemise the specific income and expenditure relating to the provision of Council Housing.

International Accounting Standards Board (IASB)

The independent standard setting body of the IFRS foundation. The IASB's members are responsible for the development and publication of IFRSs.

International Financial Reporting Interpretations Committee (IFRIC)

An international Accounting Standard that the Council has followed in the preparation of the Accounts.

Impairment

A decrease in the value of capital assets caused by a consumption of economic benefit or by a general reduction in value (due to obsolescence, damage or an adverse change in the environment).

Infrastructure Assets

Inalienable assets; expenditure on which is only recoverable by continued use of the asset created. There is no prospect of future sale or alternative use. Examples include roads, bridges and tunnels.

Intangible Assets

Non-financial long-term assets that do not have physical substance but are identifiable and controlled by the Council, for instance purchased software licences.

Interest Rate Risk

The uncertainty of interest paid or received on variable rate financial instruments and the effect of interest rate fluctuations in interest rates on the fair values of such instruments.

International Financial Reporting Standards (IFRS)

International Accounting Standards that the Council has followed in the preparation of the Statement of Accounts.

Inventories

Comprises the value of Stock held and Work in Progress at year-end.

Investment Properties

Properties that the Council owns for rental income and/or capital appreciation purposes rather than for the delivery of Services.

Leases

An agreement by which the Council uses assets owned by a third party (leased in) or the Council grants use of one of its assets to a third party. Leases can vary from short-term agreements to terms in excess of 100 years. All leases have been assessed to see if they should be treated as Finance Leases (Capital) or Operating Leases (Revenue in nature).

Local Government Pension Scheme (LGPS)

The main occupational pension scheme for Local Government Employees; the Council's scheme is administered by the Royal Borough of Windsor and Maidenhead as part of the Royal County of Berkshire Pension Fund.

Long-Term Borrowing

Borrowing with a maturity period at the year-end date of more than one year.

Major Repairs Reserve (MRR)

A Reserve within the Housing Revenue Account that receives the Depreciation charges that the Council makes on its Housing Stock, this may be used for HRA Capital Expenditure or to repay HRA debt.

Minimum Revenue Provision (MRP)

The sum that has to be charged to Revenue to provide for the redemption of debt. This Provision does not apply within the HRA.

Movement in Reserves Statement (MIRS)

A summary of the Council's Reserves at the year-end date split between Usable and Non-Usable Reserves.

National Non-Domestic Rates

Non-Domestic Rates (Business Rates) are paid into a central pool managed by Central Government. These funds are subsequently redistributed to Councils as part of the Local Government Finance Settlement.

Net Book Value (NBV)

Applicable to the year-end value of capital assets after Depreciation has been deducted.

Net Realisable Value (NRV)

The open market value of an asset less any expenses incurred in realising the asset.

Non-Current Assets Held for Sale

Capital assets whose carrying amount is to be recovered principally through sale as opposed to via continued use by the Council.

Precepting Bodies

Bodies that can submit a demand against the Collection Fund. These bodies are Reading Borough Council (RBC), The Royal Berkshire Fire and Rescue Service and Thames Valley Police (TVP).

Private Finance Initiative (PFI)

Contracts whereby Private Sector suppliers provide services and/or capital investment in return for a unitary payment subject to agreed performance targets.

Property, Plant and Equipment (PPE)

The Non-Current Assets retained by the Council within the Balance Sheet. Such assets have a physical existence and are expected to be used for a period in excess of 1 year, examples including Land and Buildings.

Provisions

Amounts set aside for liabilities and losses which are uncertain or very likely to occur but where the exact amount or timing of the payment are uncertain.

Queens Road Car Park Limited (QRCP)

A subsidiary company owned by the Council which was formed to build a multi-storey carpark on Queens Road.

Reading Economic Development Company Limited (REDCo)

The holding company for ARIEL and QRCP.

Reading Hampshire Property Partnership Limited.

A subsidiary company with Hampshire County Council which was formed to enable them to provide building and property related services to the Council.

Reading Transport Limited (RTL)

A subsidiary company owned by the Council, formed to meet the requirement of the Transport Act. It provides and operates Bus Services in Reading and the surrounding area.

Reserves

Amounts set aside to fund items of anticipated expenditure that do not fall within the definition of a Provision. These incorporate General Reserves or earmarked reserves set aside for a specific purpose (either usable or unusable).

Revaluation Reserve

Represents the increase in value of the Council's Land and Building assets from 1 April 2007 onwards.

Revenue Expenditure

The day-to-day expenditure of the Council including costs such as wages and salaries, goods and services and Capital Financing charges.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure on assets not owned by the Council, for example making disabled access adaptations to a privately-owned home or expenditure ordinarily charged to revenue, both of which are allowed to be charged to capital under regulations.

Service Level Agreements (SLA)

Agreements between operational units that state the price and specifications of the support service by one function to another.

Social Housing Adjustment factor

A multiplier applied to the value of the Council's Dwelling stock to reflect that they are tenanted properties, rather than being available with vacant possession.

Soft Loan

A loan that the Council provides at an interest rate below the established market rate to community or other not-for-profit organisations.

Statement of Accounting Policies

The rules and practices adopted by the Council that determine how transactions and events are disclosed or costed within the Statement of Accounts.

Support Services

Activities of a professional, technical and administrative nature which are not front-line Council Services in their own right, but which support front-line Service departments such as Finance, Information Technology and Human Resources.

Teacher Pension Scheme

The main occupational Pension Scheme for Teachers.

The Code of Practice on Local Authority Accounting in the United Kingdom

Produced by CIPFA, this document specifies the principles and practices of accounting required to give a true and fair view of the year-end financial position and transactions of the Council.

Unusable Reserves

These Reserves represent balances that cannot be spent as part of the Council's medium-term financial plan. Examples include the Revaluation Reserve and Capital Adjustment Account.

Usable Reserves

Reserves held by the Council that can be used to finance either Capital or Revenue activities.

Value for Money (VfM)

This term is used to describe the relationship between the Economy, Efficiency and Effectiveness (known as the 'three E'S) of a service, function or activity. Value for Money is high when there is an optimum balance between all three.