

Statement of Accounts 2018-19



Reading
Borough Council

Working better with you

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The 2017/18 Prior year comparator figures within these accounts are published subject to the outstanding completion of the 2017/18 External Audit, and may be subject to any changes that may arise following the outcome of that Audit.

Narrative Foreword



Jackie Yates
Executive Director of Resources

I am pleased to present Reading Borough Council's Statement of Accounts for 2018/19. This foreword provides a guide to the most significant matters reported in the Council's accounts.

The following financial statements have been prepared in accordance with the standard format for local authority accountants as recommended by the Chartered Institute of Public Finance and Accountancy.

The Statement of Accounts follows guidance prescribed in the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International

Financial Report Standards. Together, these constitute proper accounting practice which, by Statute, councils including Reading Borough Council must comply with.

In order to aid interpretation of the Council's accounts, the foreword provides:-

- Introduction to Reading, its strategic positioning, social economic environment and demography
- Overview of the Council's priorities, aims and highlights of some of our achievements during 2018/19
- Summary of the 2018/19 budget and how the Council's budget approved by Full Council in February 2018 is financed
- Commentary on the capital investment programme and significant capital projects delivered during 2018/19
- Summary of financial performance for the various areas of the Council including the General Fund, Housing Revenue Account and wholly owned subsidiaries
- A look ahead at what the Council will be focussing on in the future
- Explanation and guide to the key financial statements.

Welcome to Reading

Reading is the county town of [Berkshire](#). It is situated in the [Thames Valley](#) between Slough and Bristol, 40 miles west of London. Evidence of settlement here dates back to the 8th century and by 1525 Reading had grown to be the 10th wealthiest town in England. Badly affected by the dissolution of the monasteries under Henry VIII, and later by the [English Civil War](#), Reading re-grew rapidly throughout the industrial revolution and flourishes in modern times as a major commercial and retail centre, with a net inward commuter flow of 6,000 people each day.

Reading ranks amongst the UK's top 10 locations for economic success and wellbeing, when measured by factors such as employment levels, health, income and skills. The town also offers a wealth of cultural, sporting and leisure opportunities including over 100 parks and open spaces. Every year it hosts the [Reading Festival](#), one of the country's major music events, as well as the Reading [Beer Festival](#), [Reading Pride](#), and the [Reading Half Marathon](#). Oscar Wilde, famously imprisoned here between 1895 and 1897, wrote "The Ballad of Reading Gaol" shortly after his release.

Reading is home to 163,200¹ people living in 55,700 households². 67% of residents identify themselves as white British, 8% as 'other' white, 13% as Asian and 8% as black³. The town's population has increased by 10% over the past 10 years and this rate of growth is expected to continue.

Reading Borough Council - Our priorities, aims and achievements

Reading Borough Council works hard to improve daily life for residents and commuters alike. The [Corporate Plan](#) explains how we will deliver our priorities over the next three years. Despite the challenges brought about by funding reductions coupled with increasing demand on our services caused by a growing and ageing population, we are determined to make a positive difference to people's lives.

Our mission as Reading Borough Council is: to ensure that Reading realises its potential and to ensure that everyone who lives and works here can share the benefits of its success. We can achieve this by working together across the borough with Councillors, Council staff, residents, local businesses, wider public sector bodies and voluntary organisations acting as one team, which is encompassed by our "Team Reading" ethos. That's why our corporate brand is Working Better with you, and it's why we will involve and consult residents to help set the direction of the Council's decisions and the development of Reading.

¹ ONS mid year estimate for 2018

² ONS household projections for 2020

³ ONS, Census 2011

The Corporate Plan sets out the Council’s priority as follows:

- Securing the economic success of Reading
- Improving access to decent housing to meet local needs
- Protecting and enhancing the lives of vulnerable adults and children
- Keeping Reading’s environment clean, green and safe
- Promoting health, education, culture and wellbeing
- Ensuring the Council is fit for the future.

Performance is monitored against the corporate priorities, with more formal quarterly reporting to the Council’s Policy Committee. The [second quarter’s Performance Monitoring Report](#) provides highlights of 2018/19 performance, and 2019/20 performance, to date as follows:

<p>Securing the economic success of Reading</p> <ul style="list-style-type: none"> • 82.1% of people were economically active • 99% of households have access to superfast broadband
<p>Improving access to decent housing to meet local needs</p> <ul style="list-style-type: none"> • 910 additional homes completed in the year • 158 additional affordable homes delivered • 421 cases of positive action in preventing homelessness • Nil - Number of families in bed and breakfast accommodation (shared facilities).
<p>Protecting & enhancing the lives of vulnerable adults & children in Reading</p> <ul style="list-style-type: none"> • 17.9% of service users receiving Direct Payments • 432 permanent new admissions to residential or nursing care per 100,000 population for older people (65+) • 13 permanent new admissions to residential or nursing care per 100,000 population for younger people (18-64) • 93% - timeliness of Early Help Assessment (Percentage of cases completed within 5 weeks).
<p>Keeping Reading’s environment clean, green and safe</p> <ul style="list-style-type: none"> • 32% of household waste sent for re-use, recycling and composting • 7.1 - Reduction in total recorded crime rates (per 1,000 of population).
<p>Promoting health, education, culture and wellbeing</p> <ul style="list-style-type: none"> • 723 Secondary School Fixed Term exclusions • 19 - Key stage 4 results (Attainment 8) - Gap in attainment for disadvantaged pupils • 94% of schools rated good or outstanding.

Ensuring our Council is fit for the future

- 85% customer satisfaction with our front of house service
- 80,477 people signed up for an online account
- 96.4% of Council Tax collected within the year
- 97.9% of Business Rates collected within the year

The Council on the advice of the Department for Education set up a new company, Brighter Futures for Children Limited, to deliver all Children, Education, Special Educational Needs and Disabilities and Early Help services in Reading. Brighter Futures for Children Limited was formally incorporated on 5 April 2018 and Deborah Jenkins MBE was appointed as Chair of the Board with appointment of other non executive directors and senior officers following shortly afterward. The company formally started trading on the 3rd of December 2018 and recently completed its first full year of trading. Brighter Futures for Children has had some early success including achieving an upgrade in its service ratings from “inadequate” to “requires improvement to be good” in all four areas of judgement by Ofsted.

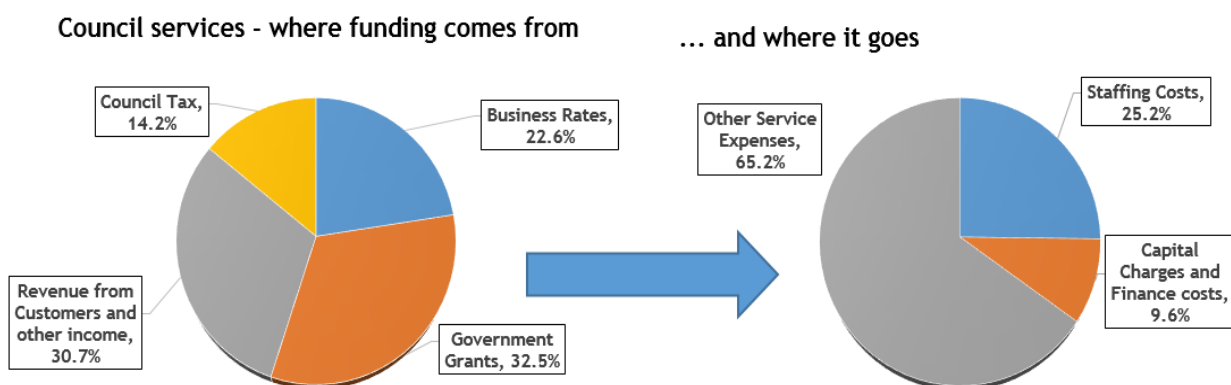
2018/19 Revenue Budget Overview

The Council’s responsibilities are wide-ranging and include services it is legally required to provide (e.g. Waste Collection, Education and Social Care) alongside discretionary services such as leisure and sports facilities, parks and open spaces.

The original General Fund budget for 2018/19 was set at £139.5m. This included planned contribution to reserves of £3.62m, savings measures of £17.1m and a contingency provision of £6.5m to mitigate risks relating to delivery of planned savings and the newly created children’s company.

Band D Council Tax was set at £1,579.99 for 2018/19, an increase of 5.99% made up of 3.99% general increase and 2% increase applied to the Adult Social Care precept.

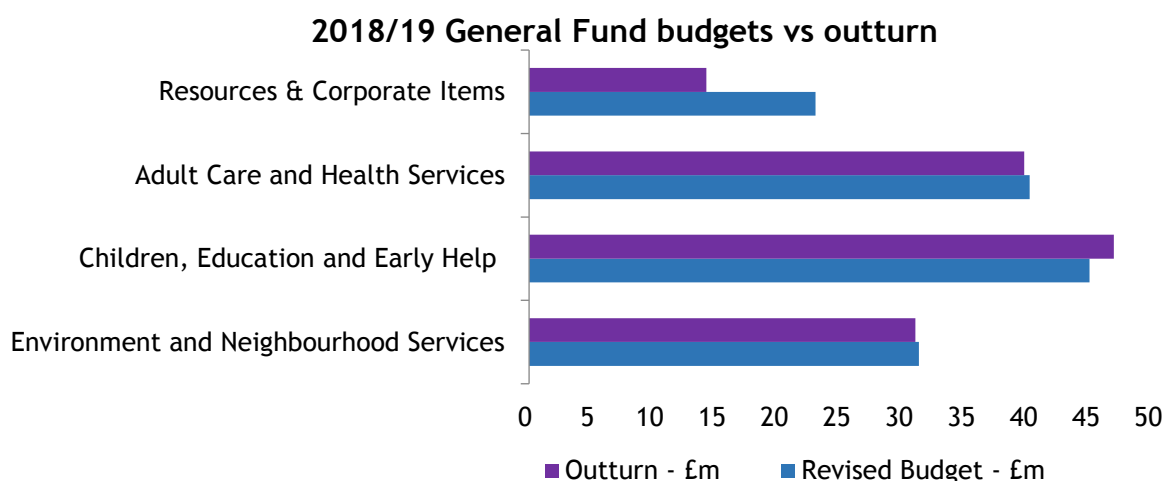
Expenditure is funded from a combination of Council Tax and Business Rates, central government funding, and charges for Council services and facilities. Most of the budget is spent on staff costs and payments for supplies and services (including contract payments), as shown below:



Financial Performance 2018/19

General Fund services

The Council kept within approved budget in 2018/19 with a £6.9m underspend against approved budget. This was due in part to the successful delivery of over 80% of planned savings and better management of resources especially those relating to demand led service where a monitoring regime has been developed to support effective management of financial resources. An analysis of financial performance by service area is presented in the below chart.



General Fund balances now stands at £7.5m (£7.0m 2017/18) following a year end transfer of £0.5m. This level of general contingency is considered adequate for a local authority the size of Reading Borough Council. Adults and Children’s services remain a concern due to continued increase in demand for these services, but the situation is being monitored to ensure efficient use of resources and that enough resources are made available to deliver these vital services. The Council undertakes detailed modelling of demographic trends and case reviews along with earlier intervention and improved commissioning to manage pressure on these budgets more effectively.

The Housing Revenue Account

The Housing Revenue Account is ring-fenced to account for the Council’s “landlord” function in respect of the letting and management of 6,775 units of social housing. 2018/19 saw a net underspend against approved budget of £10.7m due mostly to slippage on planned repairs and maintenance projects. The HRA budget underspend has been transferred to an earmarked reserve and will be made available for future years spend by the Housing Service.

Below is a summary of Housing Revenue Account's financial outturn for 2018/19.

	2018/19 budget £m	2018/19 actual £m	Variance £m
Expenditure	42.7	32.2	(10.5)
Income	(40.1)	(40.3)	(0.2)
	<u>2.6</u>	<u>(8.1)</u>	<u>(10.7)</u>
HRA balances brought forward		(26.9)	
Other Movements (Net)		<u>1.1</u>	
HRA balances carried forward		<u><u>(33.9)</u></u>	

Over time all HRA balances will be used, either to maintain or improve existing dwellings or to create new homes.

Performance of Council owned companies

The Council's year-end Balance Sheet includes investments in limited companies and joint ventures. Its three principal interests are Brighter Futures for Children, Reading Transport Limited, and Homes for Reading. All three are wholly owned subsidiaries of the Council. Brighter Futures for Children has only just completed its first year of business and its first set of accounts audited. A summary of the most recent audited accounts for 2018/19:

	Reading Transport Ltd Year ended 24/09/18 £'000	Homes For Reading Year ended 31/03/19 £'000	Brighter Futures For Children Year ended 31/03/19 £'000
Turnover	<u>36,683</u>	<u>555</u>	<u>23,227</u>
Profit/(Loss) after tax	<u><u>(82)</u></u>	<u><u>(2,462)</u></u>	<u><u>2,269</u></u>

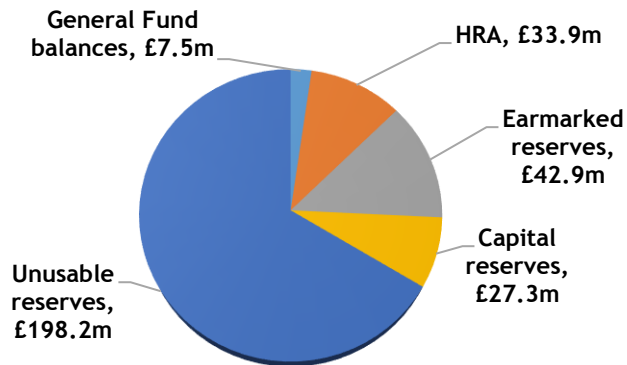
Group accounts are included at the end of the accounts which shows the overall position for the Council including all its statutory bodies and subsidiaries.

The Balance Sheet

The balance sheet is a position statement at the end of the year. It shows what the Council owns (assets) and what it owes to others (liabilities).

Usable reserves and balances have been built up over time and can be used to fund future service costs or capital expenditure. Unusable reserves cannot be accessed and relate primarily to statutory accounting adjustments for capital transactions and pensions. A summary of the balance sheet as at 31 March 2019 is presented overleaf:

Council Balance Sheet at 31 March 2019



Represented by:	31/03/19 £m
Non-current assets	1,207.9
Net current liabilities	(66.9)
Long term liabilities and provisions	(831.2)
Net assets	309.8

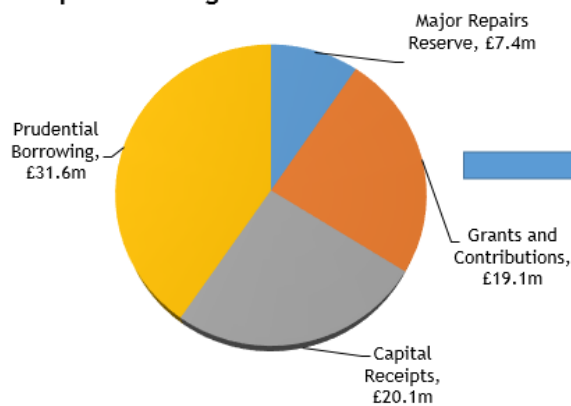
The Council recognises the importance of investing in the future and spent £78.2m on capital projects during 2018/19. Projects were funded by a combination of government grants, capital receipts, external borrowing and the use of cash balances and reserves.

Over half of the capital programme is directed to ensuring that Council offices, sports and leisure facilities, schools and homes remain safe and fit for purpose. Other major capital projects included the following:

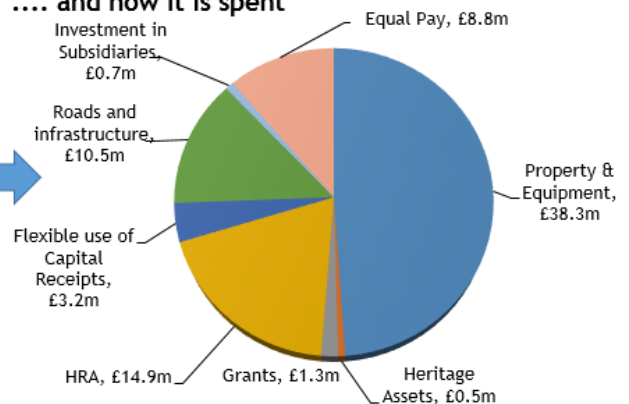
- Construction of Green Park Crossrail station and the South MRT bus link
- Improvement of infrastructure (e.g. highways, bridges and carriageways)
- Provision of affordable housing to rent or buy through Homes for Reading Limited
- Invest in energy saving street lighting

These and other priority projects including the schools expansion programme are being progressed, during 2019/20. Below is a breakdown of the 2018/19 capital programme expenditure and how the programme was funded.

Where Capital Funding comes from



.... and how it is spent



Treasury Management

The Council has a significant treasury management function, ensuring that funds are invested to achieve a return whilst maintaining adequate cash balances to meet liabilities as they fall due. The minimum cash balance needed for operational purposes at any point in time is approximately £10m.

The position on loans, investment and cash as at 31 March 2019 are shown below:

31-Mar-18		31-Mar-19
£m		£m
7.1	Investments in limited companies	16.5
14.9	Long term investment - property fund	15.3
29.8	Cash balances	34.3
51.9	Investments and Cash	66.1
(379.7)	Short and Long term Borrowing	(396.8)

All investing and borrowing is undertaken in line with the Treasury Management Strategy approved by Full Council each year. In 2018/19, the Strategy was focussed on maximising the benefits of historically low interest rates whilst seeking out appropriate investment opportunities outside the banking sector. Further details of the Strategy for 2018/19, approved as a part of the Budget report, can be accessed via the [Council's website](#).

Pensions

The Council offers retirement pensions to its staff under a statutory scheme and makes contributions on their behalf to the Council's Local Government Pension Scheme which is administered by the Royal County of Berkshire Pension Fund.

Although, the pension benefits are not payable until employees retire, the Council has a commitment to make payments and must account for them in the year in which the future entitlements are earned. Accounting Standards require future pension liabilities to be recognised on the Council's balance sheet as the employing body rather than in the pension fund's accounts.

Following actuarial valuation of the Pension Fund at March 2019, there is a net pension liability in the balance sheet of £454.4m relating to Council's participation in the Royal County of Berkshire Pension Fund - the equivalent deficit figure for 2017/18 is £446.5m.

The increase in the deficit is largely due to demographic changes around life expectancy with current and future retirees of the Fund expected to live longer.

The outstanding deficit of £454.4m has a significant impact on the Council's overall net worth as stated in the Balance Sheet. The Council's Medium Term Financial Strategy provides additional contributions to be made to the Pension Fund above its annual liabilities relating to active/retired staff in order to continue to address the deficit.

There are triennial valuations of the Pension Fund and the next valuation will take place in March 2020 which will be used to determine the Council's pension fund liability at that time.

Other assets and liabilities

Apart from cash and investment balances, the Council's main assets are its social housing stock, a small portfolio of investment properties, and the land, buildings and equipment used in service delivery. Excluding Pensions and Borrowing, other liabilities mainly relate to service concession contracts for Waste Collection and Social Housing, and provisions for Business Rates appeals, Insurance and Equal Pay claims.

Risk Management

Good risk management and effective budgetary control are essential to ensure that the Council delivers its priorities within the budgets set. Given ongoing pressure on services, especially those services that are demand led, keeping within approved budget framework was identified as a key corporate risk. Therefore, the following arrangements have been put in place to mitigate this risk:

- Monthly review of delivery against budget by the Corporate Management Team
- Quarterly review by members: Audit and Governance Committee in terms of Risk management process and the Policy Committee in terms of outcomes achieved.

The Council's finance function plays a major role in the monitoring process by ensuring that all decision making is supported by accurate and up to date financial information.

Looking ahead

A balanced budget was set by Full Council for 2019/20 and the Council has taken radical steps to improve its longer term financial position. These include:

- Using procurement and market testing to identify savings;
- Investing in income raising opportunities from commercial property investment that can also contribute to regeneration of parts of the Borough where the opportunity arises;
- Developing more flexible and cost effective models for service delivery; and
- Reductions to services not seen as a priority for local people.

Savings of £7.3m, £8.3m and £7.2m were agreed in February 2019 for 2019/20, 2020/21 and 2021/22 respectively. Further proposals for cost reductions and income

generation are continually being developed and considered but these must be both realistic and achievable.

The new Elizabeth Line that is being built by Crossrail in partnership with Transport for London and is expected to be operational from 2021. The Line will provide a fast connection to and from West, Central and East London for commuters.

A guide to the Financial Statements

The following form the main components of the Statement of Accounts:

The **Comprehensive Income and Expenditure Statement**, shows the net cost of providing Council services in line with International Financial Reporting Standards.

The **Movement in Reserves Statement** shows the movement on different reserves and balances held by the Council, analysed between general, earmarked and unusable reserves.

The **Balance Sheet** shows the value of Council assets and liabilities at the year end

The **Cashflow Statement** summarises changes in cash and cash equivalents during the year.

The **Expenditure and Funding Analysis**, a key note, reconciles the full cost of providing services with the amounts funded by taxation.

The **Housing Revenue Account (HRA)** accounts for the Council's "landlord" role.

The **Collection Fund Account** shows Council Tax and Business Rates collected during the year, and how this money was re-allocated between central and local government.

The **Group Accounts** summarise the financial position of the Council and its subsidiaries.

The Notes provide more detail about individual transactions and balances.

The **Annual Governance Statement** explains the arrangements put in place for corporate governance and for the general management of the Council's affairs.

Annual Governance Statement

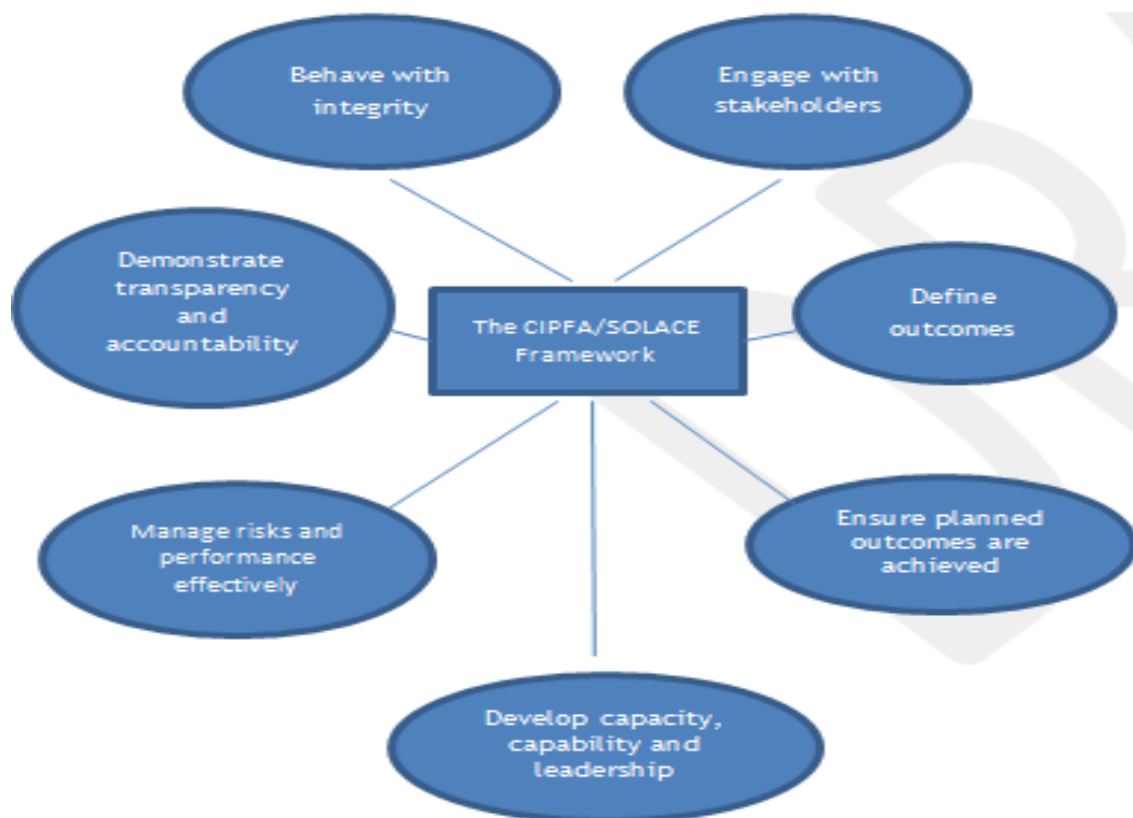
As at November 2019

INTRODUCTION

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) requires local authorities to publish an Annual Governance Statement, and to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

“Core principles” underpinning the CIPFA/SOLACE Framework are set out below together with an overview of the Council’s own governance arrangements. Table 1 sets out in more detail how the Council is meeting these seven requirements in practice.



KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

Key elements of the governance framework at Reading Borough Council (RBC) are:

<p>Council, Committee and Lead Members</p> <ul style="list-style-type: none"> • Provide leadership, develop and set policy • The Council has adopted a committee system form of governance • In addition to the Standing Committees and Sub-Committees, the Council will appoint regulatory and other committees and sub-committees. 	<p>Decision making</p> <ul style="list-style-type: none"> • All meetings are held in public, although some matters are considered in private • Decisions are recorded on the Council's website • Members of the public and councillors are able to ask public questions about Council business 	<p>Risk management</p> <ul style="list-style-type: none"> • Risk registers identify both operational and strategic risks • Key strategic risks are considered by CMT every quarter. • The strategic risk register is presented to the A&G Committee every six months.
<p>Scrutiny and review</p> <ul style="list-style-type: none"> • The statutory overview and scrutiny functions are exercised by individual committees • The statutory external scrutiny functions of the Authority, in respect of health, crime and disorder, and flood prevention, are delegated to individual committees 	<p>Corporate Management Team (CMT)</p> <ul style="list-style-type: none"> • Head of Paid Service is the Chief Executive who is responsible for all Council staff and leading an effective corporate management team. • Executive Director of Resources is the Council's s.151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money. • Monitoring Officer is the Council's Assistant Director of Legal & Democratic Services, who with the Chief Executive is responsible for ensuring legality and promoting high standards of public conduct. 	

Table 1

<p>Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law</p>
<p>Codes of Conduct set out expected standards of behaviour for officers and elected members and the standards committee investigates any allegations of non-compliance. A Leadership and Management Behaviour Framework has also been developed which sets out the behaviours expected of managers in order for them to role model the Team Reading values. The Council's Section 151 Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements.</p>
<p>Principle 2 - Ensuring openness and comprehensive stakeholder engagement</p>
<p>The Council consults regularly with stakeholders, taxpayers and service users. Consultation has been undertaken in respect of 35 separate topics over the past year, and the Consultation Hub on the Council's website enables local people to find, participate in, and view outcomes from, any consultation activities that interest them. In addition, 20 different committees and forums are in place to represent local views on everything from transport and racial equality to children's services and community safety.</p>
<p>Principle 3 - Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>
<p>The Corporate Plan sets out how the Council aims to work in partnership over the next three years to achieve six agreed objectives. These key objectives are designed to be both financially and environmentally sustainable and have been developed in consultation with partners and local people. The Medium Term Financial Strategy makes a realistic assessment of financial resources available, and the Budget and Policy Framework approved by Full Council each year sets out revenue and capital spending limits, savings and efficiency targets as well as key improvement priorities for the forthcoming year.</p>
<p>Principle 4 - Determining the intervention necessary to achieve intended outcomes</p>
<p>The four standing committees are responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in their own service areas. Quarterly Performance reports to Policy Committee summarise the financial position to date and projected outturn against budget and delivery of agreed savings targets as well as progress tracking of Key performance indicators set out within the Corporate Plan. Budgeted savings proposals are tracked on a month-by-month basis for delivery and/or appropriate mitigating actions. These are reported separately in detail to CMT and in summary form are included within the monthly financial reporting procedures also reported to CMT on a monthly basis. Budgeted savings (or further potential opportunities) have been themed into a number of categories and are separately reviewed on a regular basis by Transformation Boards.</p>
<p>Principle 5 - Developing capacity, including the capability of leadership and individuals within the Council</p>
<p>Maximising capacity by working collaboratively is a key component of the Corporate Plan and a number of longstanding partnership working arrangements are in place. The Constitution sets out how the governance aspects of these arrangements should operate in practice. A senior management restructure was completed in January 2019 which increased capacity at senior level to deliver a range of projects to support the continued growth and development of Reading. Recruitment of Assistant Directors and a new Executive Director will be completed in October 2019. A Leadership and Management Development Programme has been procured and delivery will commence in late 2019 to ensure that managers understand the standards of behaviour expected of them and role model the Team Reading values. A corporate induction programme was launched in October 2018 for new staff to ensure they understand the Council's vision and priorities and the Team Reading values. Values and behaviours training for employees will be rolled out in 2020.</p>

Principle 6 - Managing risks and performance through strong internal control and financial management

The Strategic Risk Register provides a high level overview of key risks which are reported to management and to members at least twice a year. Financial Procedure Rules and Financial Regulations, together with Contracts Procedure Rules and Employment Procedure Rules, set out the framework of internal controls. Internal Audit has a programme of work designed to assess how this framework operates in practice and report to the Audit and Governance Committee. In addition to the strategic risk register, service areas also maintain their own risk registers.

Principle 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability

All Council meetings are held in public and minutes of meetings and webcasts are available on the Council's website.

REVIEW OF EFFECTIVENESS

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with government about the quality and effectiveness of the governance framework and systems of internal control. The internal team completed 34 audit reviews during 2018/2019. A further 5 audits had fieldwork completed at 31 March 2018 but with reports to be finalised. 127 audit recommendations have been made, of which 13 (10%) were classified as a high priority.

Public Sector Internal Audit Standards require the Chief Auditor to provide an assessment of the overall adequacy and effectiveness of the Council's control environment. This opinion is expressed using a scale ranging from Substantial to Reasonable, then Limited and finally No Assurance. On the basis of work completed during the course of the year, the Chief Auditor concluded that reasonable assurance can now be placed on the adequacy and effectiveness of the Council's internal control framework within those areas audited in 2018/2019 (<https://democracy.reading.gov.uk/documents/s7893/item5-AnnualAssuranceReport.pdf>). Whilst this is an improvement on the last two financial years and the direction of travel is one of improvement, there is still more work to be done.

Assistant Directors and Executive Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas (see below). The Council has made significant steps to improve procedures and governance over the last 12 months, including:

- Reviewing and updating the Council's Procurement Rules – training and drop in sessions were provided for staff by the Corporate Procurement Team as part of the roll out plan.
- Commencing a review of HR Policies. Seven key policies have been agreed with the Unions and training for managers is underway. Negotiation is underway on the next tranche and a timetable has been agreed for completing the review of residual policies by the end of March 2020.
- Introducing an 'audit recommendation tracker' report to the Audit & Governance Committee to raise the profile and put increased focus on the importance of implementing audit recommendations with managers. Audit and Governance Committee agendas where this tracker is reported can be found at <https://democracy.reading.gov.uk/ieListMeetings.aspx?CId=174&Year=0>
- iTrent, a Midland HR software package was re-implemented and launched on the 1st April 2019 and will significantly improve HR controls going forward, particularly around pay and establishment management.
- Implementing more robust performance monitoring and reporting arrangements to track delivery of key outcomes; including transformation savings and projects.
- The CIPFA Asset Management software model has been purchased and is planned to be introduced for the 2019/20 closure of accounts in order to improve the accounting processes relating to non-current assets.

- Reviewing the Business Models of the Council's wholly owned companies and agreeing actions.
- Completing the restructures of both HR and Finance to increase resilience and capability.
- Enforcing procedures to ensure Journals are properly evidenced.
- Resourcing an annual verification process to verify eligibility for Single person Discount, thereby reducing loss of Council Tax.
- Facilitating the launch of Brighter Futures for Children a wholly owned company of the Council to improve outcomes and reduce the cost of its Children's Services.

However, there is more to do, in particular to:

- Improve the robustness of the Council's financial processes and procedures, in particular in relation to accounts payable and receivable and reconciliations. These are a top priority and plans are in place to address the current issues.
- Continue to raise the profile of Audit and embed a culture of compliance with addressing recommendations on a timely basis.
- Improve the Council's contract management and capital monitoring arrangements, including the skills of managers with responsibilities in these areas. These are Service Plan priorities.
- Roll out the residual iTrent functionality, including recruitment, which is due to go live later in the year to maximise value for money.
- Improve performance and governance processes for responding to Freedom of Information requests.

Other governance outcomes are shown below:

Issues Identified	Performance in 2018/19
Formal reports by s151 or Monitoring Officer.	None issued
Outcomes from Standards Committee or Monitoring Officer investigations	The monitoring officer has considered 7 complaints about member conduct at the filter stage. One was resolved and the remainder were not taken into the three stage Complaints Procedure. Consequently, the outcome of the resolved complaint was to reinforce a number of corporate messages.
Proven frauds carried out by councillors or members of staff.	One member of staff was prosecuted for theft of cash at a sports centre (£10k).
Objections received from local electors	No objections have been received from local electors
Local Government Ombudsman referrals upheld.	The Local Government Ombudsman (LGO) upheld nine complaints, one of which had a public interest report published.
Information Commissioner referrals upheld	None upheld in 2018/2019'

External Audit

The Council's External Auditors, Ernst & Young (EY) made formal recommendations to the Council in February 2017 in relation to its financial position and the need for robust budget monitoring. A savings monitoring regime overseen by the Delivery Unit and the Corporate Programme Delivery Group was implemented in May 2017 to track delivery of budgeted savings initiatives, and there is now more independent investigation into each saving identified, to ensure that the proposal is achievable and on what timescale. Delivery of approved savings is closely monitored. Monthly revenue and capital budget monitoring reports have been improved to provide greater detail to members and managers. Quarterly reports on the budget are taken to Policy Committee (Period 3, 6, 9 and the outturn).

A number of weaknesses relating to timeliness and frequency of core reconciliations were identified in the 2016/17 external audit recommendations as well as the suitable evidencing of journal transfers between accounting codes. Both of these have been addressed with monthly reconciliations now taking place and systems changed to require appropriate evidencing of all transfers.

Other Inspection Work

Children's Services were rated "inadequate" by Ofsted in June 2016. A limited company structure has subsequently been established by the Council in co-operation with the Commissioner for Children's Services, and the Department for Education. From 3rd December 2018, Brighter Futures for Children became responsible for delivering Children's Social Care, Early Help, and Education services across the Borough with Fostering transferred on 1st March 2019. An improvement plan to resolve the issues flagged from the 2016 Ofsted inspection, subsequent interim reviews and DfE deep dives is in place, with regular overview of progress through the Children's Services Improvement Board, aiming to improve the overall Ofsted rating.

Ofsted have recently re-inspected the Council's provision of Children's Services and note evidence of improvement in most areas of practice since the last inspection. Accordingly their rating has improved from "inadequate" to "requires improvement to be good". Their inspection report can be found at <https://files.api.ofsted.gov.uk/v1/file/50119620>

CONCLUSION

The Council is satisfied that suitable and appropriate governance arrangements are in place. However, it is committed to continual improvement including:

- Addressing the issues identified by Internal Audit on a timely basis.
- Improving the robustness of the Council's financial processes and procedures.
- Improving the Council's contract management and capital monitoring arrangements, including the skills of managers with responsibilities in these areas. These are service Plan priorities.
- Rolling out the residual iTrent functionality which is due to go live later in the year to maximise value for money.
- Improving performance and governance processes in responding to Freedom of Information requests.

CERTIFICATION

We have been advised on the results of the annual review of the effectiveness of the Council’s governance framework, as set out above. Plans are in place to address the weaknesses identified. Delivery of these plans will be monitored by the Audit and Governance Committee and reported to the public as part of the next annual review.

Signed on behalf of Reading Borough Council by:

..... Jason Brock, Leader of the Council

.....Peter Sloman, Chief Executive

Independent Auditors Report to the Members of Reading Borough Council

{to be completed following the outcome of the external audit}

Statement of Responsibilities

Responsibilities of the Council

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 2018/19, the Chief Financial Officer was the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 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.

Responsibilities of the Chief Financial Officer

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.
- Complied with the Local Authority Code.

The Chief Financial Officer has also:

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

Approval of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Jacqueline Yates
Executive Director of Resources

February 2020

Comprehensive Income and Expenditure Statement

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

2017/18			2018/19			
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
65,648	(26,668)	38,980	Adult Care and Health Services	69,301	(27,840)	41,460
112,610	(93,113)	19,497	Corporate Support Services	93,746	(74,024)	19,723
157,316	(106,975)	50,341	Children, Education and Early Help Services	208,581	(163,189)	45,393
87,795	(43,482)	44,313	Environment and Neighbourhood Services	104,407	(45,693)	58,714
25,156	(41,423)	(16,267)	Housing Revenue Account	26,264	(40,292)	(14,028)
448,525	(311,661)	136,864	Cost of Services	502,300	(351,038)	151,262
		2,031	Other Operating Expenditure (Note 10)			(829)
		27,122	Financing and Investment Income and Expenditure (Note 11)			17,775
		(158,967)	Taxation and Non Specific Grant Income (Note 12)			(175,148)
		7,050	(Surplus) or Deficit on Provision of Services			(6,940)
		(676)	Valuation (gains)/losses in Fair Value of investments			(232)
		(16,602)	(Surplus)/deficit on revaluation of non current assets			(61,258)
		(32,708)	Actuarial gains/(losses) on pension assets/liabilities			(12,151)
		(49,986)	Other Comprehensive Income and Expenditure			(73,641)
		(42,936)	Total Comprehensive Income and Expenditure			(80,581)

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

2017/18	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	(6,500)	(7,943)	(14,443)	(24,033)	(9,324)	(33,357)	(20,718)	-	(8,711)	(77,229)	(109,013)	(186,243)
Movement in reserves during 2017/18												
(Surplus) or deficit on the provision of services	15,767		15,767	(8,717)		(8,717)				7,050	-	7,050
Other Comprehensive Income / Expenditure										-	(49,986)	(49,986)
Total Comprehensive Income and Expenditure	15,767		15,767	(8,717)		(8,717)				7,050	(49,986)	(42,936)
Adjustments between accounting basis and funding basis under regulations 7054	(31,832)		(31,832)	5,780		5,780	(2,754)	(1,328)	(6,277)	(36,411)	36,411	-
Net Increase or Decrease before Transfers to Earmarked Reserves	(16,065)		(16,065)	(2,937)		(2,937)	(2,754)	(1,328)	(6,277)	(29,361)	(13,575)	(42,936)
Transfers to / from Earmarked Reserves	15,565	(15,565)	-	117	(117)	-				-	-	-
Increase or Decrease in 2017/18	(500)	(15,565)	(16,065)	(2,820)	(117)	(2,937)	(2,754)	(1,328)	(6,277)	(29,361)	(13,575)	(42,936)
Balance at 31 March 2018	(7,000)	(23,508)	(30,508)	(26,853)	(9,441)	(36,294)	(23,472)	(1,328)	(14,988)	(106,590)	(122,589)	(229,179)

Movement in Reserves Statement

2018/19	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	(7,000)	(23,508)	(30,508)	(26,853)	(9,441)	(36,294)	(23,472)	(1,328)	(14,988)	(106,590)	(122,589)	(229,179)
Movement in reserves during 2018/19												
(Surplus) or deficit on the provision of services	1,200		1,200	(8,140)		(8,140)				(6,940)		(6,940)
Other Comprehensive Income / Expenditure											(73,641)	(73,641)
Total Comprehensive Income and Expenditure	1,200		1,200	(8,140)	-	(8,140)				(6,940)	(73,641)	(80,581)
Adjustments between accounting basis and funding basis under regulations	(11,342)		(11,342)	810		810	14,802	(417)	(1,909)	1,944	(1,944)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	(10,142)		(10,142)	(7,330)		(7,330)	14,802	(417)	(1,909)	(4,996)	(75,585)	(80,581)
Transfers to / from Earmarked Reserves	9,642	(9,642)	-	307	(307)	-						-
Increase or Decrease in 2018/19	(500)	(9,642)	(10,142)	(7,023)	(307)	(7,330)	14,802	(417)	(1,909)	(4,996)	(75,585)	(80,581)
Balance at 31 March 2019	(7,500)	(33,150)	(40,650)	(33,876)	(9,748)	(43,624)	(8,670)	(1,745)	(16,897)	(111,586)	(198,174)	(309,760)

Balance Sheet

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

31 March 2018		Note	31 March 2019
£000			£000
1,031,258	Property, Plant and Equipment	14	1,100,408
2,313	Heritage Assets	15	2,691
41,775	Investment Property	16	43,753
1,369	Intangible Assets	17	1,291
22,027	Long-Term Investments		31,788
17,538	Long-Term Debtors	21	27,950
1,116,280	Long Term Assets		1,207,881
50	Assets Held for Sale		-
231	Inventories		233
44,523	Short-Term Debtors	21	73,991
29,835	Cash and Cash Equivalents		34,311
74,639	Current Assets		108,535
(91,537)	Short-Term Borrowing	18	(47,690)
(62,584)	Short-Term Creditors	23	(80,375)
(19,906)	Short-Term Provisions	24	(12,761)
(1,265)	Deferred Income		(815)
(23,093)	Grants Receipts in Advance - Capital	37	(33,787)
(198,385)	Current Liabilities		(175,428)
(490)	Long-Term Provisions	24	(520)
(288,207)	Long-Term Borrowing	18	(349,129)
(446,498)	Liability relating to defined benefit pension scheme	43	(454,347)
(28,160)	PFI Long-Term Liabilities and Deferred Income	41	(27,232)
(763,355)	Long Term Liabilities		(831,228)
229,179	Net Assets		309,760
(106,590)	Usable Reserves	25	(111,586)
(122,589)	Unusable Reserves	26	(198,174)
(229,179)	Total Reserves		(309,760)

Cash Flow Statement

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

2017/18	Note	2018/19
£000		£000
7,050	Net (surplus) or deficit on the provision of services	(6,940)
(41,084)	Adjustment to surplus or deficit on the provision of services for non-cash movements	(43,414)
36,623	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	26,363
2,589	Net cash flows from operating activities	(23,991)
20,251	Net cash flows from investing activities	24,765
(30,529)	Net cash flows from financing activities	(5,249)
(7,689)	Net (increase) or decrease in cash and cash equivalents	(4,476)
(22,146)	Cash and cash equivalents at the beginning of the reporting period	(29,835)
(29,835)	Cash and cash equivalents at the end of the reporting period	(34,311)

Note 1 - Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position as at the 31 March 2019.

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 2018/19 (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 rather than the cash flows fixed or determined by the contract.
- 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.
- With effect from 2017/18, the Council has set a general de minimis level for accruals that are calculated manually at year end, this is to avoid additional time and cost in the preparation of the accounts. The level has been set at £2,500 for 2018/19 and will be reviewed annually.

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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council may be members of one of three separate pension schemes:

- a) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- b) The Local Government Pension Scheme (LGPS), administered by the Royal Borough of Windsor and Maidenhead;
- c) 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. 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 Royal County of 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 by reference to the market yields of high quality corporate bonds at 31 March.

The assets of the Royal County 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 2019.

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 18.

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-ringfenced 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 five 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. Heritage Assets

Heritage assets are held solely on the ground of their cultural, historical or scientific importance. When a value can be reliably ascertained for heritage assets, they are held on the balance sheet at that value, although this is subject to a £10,000 de minimis limit. If the asset cannot be valued, or the costs involved in obtaining a valuation would not be commensurate with the additional benefits this would provide the user of the accounts, they are not included in the balance sheet.

If the cost of the asset is known, the asset is recognised on the balance sheet at that value, otherwise an appropriate valuation methodology has been used to ascertain the value of the Council's Heritage Assets. The Code permits a number of methods of valuation to be used, and the Council has used a range of these methodologies to calculate balance sheet valuations. These methods include insurance valuations and art sale prices. Revaluation of heritage assets is carried out as and when it is requested by service managers, rather than being part of the 5 year rolling revaluation programme for non-current assets.

An annual review of the Council's assets is carried out to ensure that all assets held as Heritage Assets continue to meet the requirements of the Code definition, and that there has been no material change in the value or condition of the assets in the year. If there is evidence that the value of the asset has materially changed since the last assessment, a review is carried out; the subsequent change in valuation being recognised either in the revaluation reserve (in the case of an upwards revaluation), or in the Comprehensive Income and Expenditure Statement (in the case of an impairment).

Depreciation is not charged on heritage assets, as they are judged to have an indefinite lifespan.

ix. 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 and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

x. 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.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Unapplied Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves 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.

xi. 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

xii. Prior period adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

xiii. 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 comprising:

- 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;
- Infrastructure – straight-line allocation over 5 to 40 years depending on the type of 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.

xiv. 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 the PFI operators each year are analysed into five elements:

- Fair value of services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line on the CIES.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xv. 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.

When a payment for expenditure against a provision is made, the expenditure is charged directly to that provision. All provisions are reviewed each year.

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.

No provision is made for debts that are secured except in exceptional circumstances. Of all remaining debts, and excluding financial instruments where an expected credit loss model is applied, the Council makes a provision for bad debts based upon continuous reviews of likely recovery undertaken by service managers and supporting finance staff.

Contingent Liabilities

No liability is recognised if an outflow of economic resources is not probable 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 possible.

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.

xvi. 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 and/or the Housing Revenue Account Balance in the Movement in Reserves Statement.

When expenditure to be financed from the Reserve is incurred, it is charged to the appropriate Service line in that year to score against the Surplus or Deficit on the Provision of Services 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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council.

xvii. 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 39.

During the period 1 April 2016 to 31 March 2022 the Council are allowed under Guidance published by MHCLG the flexible use of capital receipts on areas of revenue cost which lead to service transformation and generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts a transfer to the Capital Adjustment Account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

xviii. 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.

Note 2 - Accounting Standards Issued, Not Adopted

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2019 for 2018/19). Disclosure requirements are expected to be included in a subsequent edition of the Code.

Changes in the 2019/20 Code of practice that will be introduced in future versions of the accounts include –

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The Council does not expect these changes to have a material impact upon the financial statements.

Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in the Accounting Policies, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows;

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.

The Council is engaged in two PFI contracts. After an assessment under the requirements of IFRIC 12, it has been determined that both arrangements are controlled by the Council. The Accounting Policies relating to PFI schemes have therefore been applied to these two contracts with the associated assets recognised within the Council's year-end Balance Sheet.

The Council has a number of properties for which it receives rental income. The nature of these holdings have 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 so as 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. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion

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

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) and Homes for Reading (HfR) are both deemed to constitute a material Group interest and these wholly-owned subsidiaries have 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

Note 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 2019 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 £0.85m 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 £0.03m 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 £16.4m.

Arrears

At 31 March 2019, the authority had a balance of sundry debtors of £7.669m. A review of significant balances suggested that an impairment of doubtful debts of £2.501m was appropriate.

If collection rates were to deteriorate, a 1% increase in the value of impairments for doubtful debts would require an additional £66,000 to 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 contractors due to inflation would result in an estimated additional annual cost of approximately £95,000.

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 2019 was £7.11m, which is shared between the Council and the Fire Authority. The Council's share of this provision is 99%, a total of £7.04m.

The provision at 31 March 2019 has been calculated based on appeals submitted and analysis of appeals submitted in other areas. 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 £70,400.

Note 5 - 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:

- £8.2m (£0m 2017/18) to BFfC for provision of Children's Services by contract commencing on 3rd December 2018.
- £8.1m (£9.0m 2017/18) to RE3 Ltd for waste collection and disposal under the waste collection service concession.
- £6.6m (£6.5m 2017/18) to Affinity (Reading) Ltd under a service concession to refurbish council-owned housing at North Whitley.
- £2.1m (£3.9m 2017/18) to Bracknell Forest Borough Council for Public Health services under a joint arrangement.
- £4.1m (£3.5m 2017/18) to Reading Transport Ltd for providing free travel under the Concessionary Fares Scheme.
- £3.4m (£3.1m 2017/18) to Northgate Public Services (UK) Ltd for the provision of IT services.

Note 6 - Events After the Balance Sheet Date

The Council's accounts for 2016/17 were certified by our external auditors (EY) with a qualified opinion in July 2019. Work by EY commenced in September 2019 on auditing the 2017/18 accounts, but remains to be completed. The audit fees relating to the completion of the 2016/17 audit as well as fees for the 2017/18 and 2018/19 audit work, in accordance with the contractual base price for the latter years are disclosed in Note 38.

A legal ruling by the Supreme Court (without leave to appeal) was made in June 2019 regarding age discrimination arising from pension scheme transition arrangements – the 'McCloud Judgement'. The Council has obtained actuarial valuation of the impact of this judgement on its pension liabilities and adjusted the underlying deficit included as part of its Balance Sheet Liabilities in the 2018/19 accounts.

The Council exchanged contracts on the purchase of an investment property, 410 Thames Valley Park, on February 21st 2019 however did not complete on this purchase until the 2nd of April 2019. This addition at the agreed purchase price of £38m will be reflected in the 2019/20 accounts and will increase the Council's value of Investment Properties by a corresponding amount.

Note 7 - Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund and HRA Balance	2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement	2018/19		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£000	£000	£000		£000	£000	£000
37,239	1,741	38,980	Adult Care and Health Services	39,857	1,604	41,461
5,468	14,029	19,497	Corporate Support Services	19,428	295	19,723
41,905	8,436	50,341	Children, Education and Early Help Services	46,924	(1,531)	45,393
31,177	13,136	44,313	Environment and Neighbourhood Services	31,583	27,130	58,714
(11,631)	(4,636)	(16,267)	Housing Revenue Account	(14,979)	951	(14,028)
104,158	32,706	136,864	Net Cost of Services	122,813	28,449	151,262
(123,160)	(6,654)	(129,814)	Other Income and Expenditure	(140,284)	(17,918)	(158,202)
(19,002)	26,052	7,050	Surplus or Deficit on Provision of Services	(17,471)	10,531	(6,940)
(30,533)			Opening Combined General Fund and HRA Balance			(33,853)
(3,320)			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)			(7,523)
(33,853)			Closing Combined General Fund and HRA Balance			(41,376)

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. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Note 7a - Note to the Expenditure and Funding Analysis

	2017/18			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Adult Care and Health Services	509	1,331	(100)	1,741
Corporate Support Services	4,573	6,562	2,894	14,029
Children, Education and Early Help Services	4,202	4,457	(223)	8,436
Environment and Neighbourhood Services	10,254	3,093	(210)	13,136
Housing Revenue Account	(6,046)	1,449	(39)	(4,636)
Net Cost of Services	13,492	16,892	2,322	32,706
Other Income and Expenditure	(18,108)	11,350	104	(6,654)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(4,616)	28,242	2,426	26,052

	2018/19			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Adult Care and Health Services	420	1,161	23	1,604
Corporate Support Services	7,114	1,959	(8,778)	295
Children, Education and Early Help Services	(4,530)	2,175	824	(1,531)
Environment and Neighbourhood Services	24,249	2,813	68	27,130
Housing Revenue Account	(543)	1,503	(9)	951
Net Cost of Services	26,711	9,611	(7,872)	28,449
Other Income and Expenditure	(22,762)	10,390	(5,546)	(17,918)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	3,948	20,001	(13,418)	10,531

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.

- 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.

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 authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

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.
- 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.

Note 7b - Segmental Analysis of Income and Expenditure

2017/18		2018/19
£000		£000
(14,663)	Adult Care and Health Services	(14,886)
(18,961)	Corporate Support Services	(10,796)
(21,592)	Children, Education and Early Help Services	(77,519)
(40,708)	Environment and Neighbourhood Services	(42,154)
(37,426)	Housing Revenue Account	(36,295)
(133,350)	Total	(181,650)

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.

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against;

General Fund Balance - The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account Balance - The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied - The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2017/2018	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(26,793)	(1,449)				28,242
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(1)					1
Council tax and NDR (transfers to or from the Collection Fund)	(103)					103
Holiday pay (transferred to the Accumulated Absences reserve)	641	37				(678)
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	(8,403)		5,403			3,000
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(11,020)	(7,682)			(25,183)	43,885
Total Adjustments to Revenue Resources	(45,679)	(9,094)	5,403	-	(25,183)	74,553
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	8,687	2,559	(11,246)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(923)		923			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		7,982		(7,982)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,751	4,333				(10,084)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	332					(332)
Total Adjustments between Revenue and Capital Resources	13,847	14,874	(10,323)	(7,982)	-	(10,416)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			3,491			(3,491)
Use of the Major Repairs Reserve to finance new capital expenditure				6,654		(6,654)
Application of capital grants to finance capital expenditure					18,906	(18,906)
Cash payments in relation to deferred capital receipts			(328)			328
Total Adjustments to Capital Resources	-	-	3,163	6,654	18,906	(28,723)
Other adjustments			(997)			997
Total Adjustments	(31,832)	5,780	(2,754)	(1,328)	(6,277)	36,411

2018/2019	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(18,600)	(1,401)				20,001
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	-					-
Council tax and NDR (transfers to or from the Collection Fund)	5,546					(5,546)
Holiday pay (transferred to the Accumulated Absences reserve)	(915)	(33)				948
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)			8,820			(8,820)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,012)	(9,528)			(20,979)	36,519
Total Adjustments to Revenue Resources	(19,981)	(10,962)	8,820	-	(20,979)	43,102
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,813	3,572	(5,385)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,421)		1,421			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		7,820		(7,820)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	8,225	380				(8,605)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	22					(22)
Total Adjustments between Revenue and Capital Resources	8,640	11,773	(3,964)	(7,820)	-	(8,627)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			11,261			(11,261)
Use of the Major Repairs Reserve to finance new capital expenditure				7,403		(7,403)
Application of capital grants to finance capital expenditure					19,069	(19,069)
Cash payments in relation to deferred capital receipts			(249)			249
Total Adjustments to Capital Resources	-		11,012	7,403	19,069	(37,484)
Other adjustments			(1,066)			1,066
Total Adjustments	(11,342)	810	14,802	(417)	(1,909)	(1,944)

Note 9 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance at 1 April 2017 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2018 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2019 £000
General Fund Reserves:							
Emergency Planning	(200)	-	-	(200)	-	-	(200)
General Fund Reserve Account	(224)	-	116	(108)	-	-	(108)
Legal and Taxation Reserve	(250)	-	-	(250)	-	250	-
Organisational Change, DSG & Schools	(1,357)	(3,405)	834	(3,928)	(2,473)	3,475	(2,926)
Pension Liabilities	(1,087)	-	-	(1,087)	(13)	-	(1,100)
Property Liabilities	(200)	-	-	(200)	(300)	-	(500)
Business Rates Smoothing	-	-	-	-	(2,000)	-	(2,000)
Abortive Capital Costs	-	-	-	-	(500)	-	(500)
IT & Digital	-	-	-	-	(1,500)	-	(1,500)
Flexible Capital Receipts	-	-	-	-	(8,136)	-	(8,136)
Schools Deficit	-	-	-	-	(800)	-	(800)
Capital Finance Smoothing	-	-	-	-	(500)	-	(500)
Communications	-	-	-	-	(200)	-	(200)
Redundancy	-	-	-	-	(500)	-	(500)
HB Subsidy Loss	-	-	-	-	(150)	-	(150)
Demographic & Cost-Led Pressures	-	-	-	-	(2,000)	-	(2,000)
Brexit	-	-	-	-	(105)	-	(105)
2018/19 MHCLG Levy Surplus Reserve	-	-	-	-	(463)	-	(463)
Public Health	-	(567)	-	(567)	(53)	-	(620)
Revenue Grant Unapplied Reserve	(1,742)	(1,861)	531	(3,072)	(711)	568	(3,215)
Self Insurance	(2,883)	(2,634)	-	(5,517)	(24)	-	(5,541)
Childrens Strategic Reserve	-	(250)	-	(250)	-	250	-
Climate and Environmental Change Reserve	-	-	-	-	(250)	-	(250)
Resilience Reserve	-	(7,232)	-	(7,232)	(6,283)	11,679	(1,836)
Parking & Transportation Reserve	-	(1,097)	-	(1,097)	-	1,097	-
Total General Fund	(7,943)	(17,046)	1,481	(23,508)	(26,961)	17,319	(33,150)
Housing Revenue Account Reserves:							
North Whitley PFI	(9,324)	(117)	-	(9,441)	(307)	-	(9,748)
Total Housing Revenue Account	(9,324)	(117)	-	(9,441)	(307)	-	(9,748)
Total Earmarked Reserves	(17,267)	(17,163)	1,481	(32,949)	(27,268)	17,319	(42,898)

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 small reserves 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, DSG & Schools Reserve** has been established to help meet the costs of the Council's change programmes and associated costs, to hold balanced held by Schools under the delegation scheme and residual balance on the Dedicated Schools Grant. The Schools element of £2.208m comprises the unspent revenue balances held by schools in surplus, offset by the overdrawn revenue balances of schools in deficit. This part of the balance can only be used by the Schools and are not available to the Council for general use. The Dedicated Schools Grant element is the overdrawn balance of £1.606m against the ring-fenced Dedicated Schools Grant, which is used for related Schools expenditure as directed by the Schools Forum. The Organisational Change element of the reserve is £5.1m;

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 **Business Rates Smoothing Reserve** was set up to provide for potential downturns in the economy which would in turn reduce the level of Business Rates;

The **Abortive Capital Costs Reserve** was set up to provide for the cost of feasibility studies which do not progress into Capital Schemes;

The **IT and Digital Reserve** was set up to provide for the replacement of IT and Digital equipment which has passed its useful economic life, in order to improve operational efficiency;

The **Flexible Capital Receipts Reserve** was set up to provide for potential slippage in the delivery of Capital;

The **Schools Deficit Reserve** has been created to fund potential deficits of schools that may become academies in the future;

The **Capital Finance Smoothing Reserve** has been formed to smooth funding across the period of the Medium-Term Financial Strategy;

The **Communications Reserve** has been created to allow for investment in communications strategies and engagement with the public;

The **Redundancy Reserve** was set up to fund future costs of redundancy;

The **HB Subsidy Loss Reserve** has been created to provide for any potential clawback from Central Government of housing benefit subsidy following audit of the annual housing subsidy claim;

The **Demographic and Cost-Led Pressures Reserve** has been formed to provide for potential cost pressures arising from demographic or other demand-led services;

The **Brexit Reserve** was set up to fund costs arising from Brexit;

The **2018/19 MHCLG Levy Surplus Reserve** was set up to fund potential changes to the MHCLG Levy Surplus;

The **Climate and Environmental Change Reserve** was set up to allow for investment to address the climate emergency;

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 **Public Health Reserve** has been created in line with the conditions of the Public Health grant to carry forward unspent grant to support Public Health expenditure in 2018/19;

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 Grant balance will be transferred out to match relevant expenditure incurred in future years;

The **Childrens' Strategic Reserve** has been established to cover potential future liabilities arising from pressures on school funding.

The **Resilience Reserve** was established in 2017/18 to provide resources to smooth the impact of any changes in Business Rates income and central government funding decisions following the conclusion of the Fair Funding Review;

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 an independent review £2.5m of reserves was moved to the General Fund at the end of 2016/17 and an Insurance Provision was created to meet the estimated costs of known claims;

The **Parking & Transportation Reserve** has been created to fund improvements to parking facilities and general highway / infrastructure works and to protect future funding of existing planned works should parking receipts decline in the future.

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;

Note 10 - Other Operating Expenditure

2017/18		2018/19
£000		£000
122	Levies	124
923	Payments to the Government Housing Capital Receipts Pool	1,421
986	Gains/losses on the Disposal of Non-Current Assets	(2,374)
2,031	Total Other Operating Expenditure	(829)

Note 11 - Financing and Investment Income and Expenditure

2017/18		2018/19
£000		£000
13,926	Interest payable and similar charges	14,151
12,128	Net interest on the net defined benefit liability (asset)	11,125
(1,861)	Interest receivable and similar income	(1,646)
2,929	Income and expenditure in relation to investment properties and changes in their fair value	(5,855)
27,122	Total	17,775

Note 12 - Taxation and Non-Specific Grant Income

2017/18		2018/19
£000		£000
(79,815)	Council Tax income	(86,541)
(35,002)	Non-Domestic rates income and expenditure	(57,917)
(18,967)	Non-ringfenced government grants	(9,597)
(25,183)	Capital grants and contributions	(21,094)
(158,967)	Total	(175,148)

Note 13 - Expenditure and Income Analysed by Nature

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

2017/18		2018/19
£000	Nature of Expenditure or Income	£000
148,529	Council employees	142,973
12,852	Voluntary Aided Schools	10,829
161,381	Sub total	153,802
21,957	Depreciation, amortisation, impairment	28,400
26,054	Interest payments	25,276
265,310	Other service expenses	320,223
27,521	Business Rates Tariff	81,037
923	Payments to Housing Capital Receipts Pool	1,421
2,165	Loss on Asset Disposals	3,011
505,309	Total Expenditure	613,168
(133,349)	Revenue from external customers and other service income	(181,650)
1,069	Interest and investment income	(7,501)
(142,339)	Income from Council Tax and NDR	(225,495)
(222,463)	Government grants and contributions	(200,078)
(1,178)	Gain on Asset Disposals	(5,385)
(498,259)	Total Income	(620,109)
7,050	Surplus or Deficit for Year	(6,940)

Note 14 - 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	31 March	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 31 March 2019 by the external valuer Sanderson Weatherall LLP, undertaken under the direction of Ian Vivian, MRICS. Surplus assets and Investment properties are valued annually at 31 March.

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.

Property, Plant and Equipment 2017/18

Movements to 31 March 2018

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2017	503,399	375,601	21,957	282,332	12,378	27,116	325	1,223,108
Adjustments to cost/value & depreciation/impairment	3,389	-	-	-	-	-	-	3,389
Additions	7,263	8,688	2,416	9,760	266	82	5,112	33,586
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,007)	13,284	(418)	-	-	7,732	-	16,591
Derecognition – disposals	(1,421)	(463)	(19)	-	-	(9,820)	-	(11,723)
Reclassifications and transfer	(4,065)	(6,080)	(2,486)	-	-	4,756	1,285	(6,590)
Other movements in cost or valuation	(7,982)	-	-	-	-	-	-	(7,982)
at 31 March 2018	496,576	391,030	21,450	292,092	12,644	29,866	6,722	1,250,380
Accumulated Depreciation and Impairment								
at 1 April 2017	934	(69,034)	(13,076)	(126,382)	(75)	(578)	-	(208,211)
Adjustments to cost/value & depreciation/impairment	(3,389)	-	-	-	-	-	-	(3,389)
Depreciation charge	(7,982)	(8,777)	(1,676)	(17,913)	-	-	-	(36,348)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	1,992	15,525	5	-	-	(2,246)	-	15,276
Derecognition – disposals	7	126	3	-	-	-	-	136
Reclassifications and transfers	455	3,649	1,328	-	-	-	-	5,432
Other movements in depreciation and impairment	7,982	-	-	-	-	-	-	7,982
at 31 March 2018	-	(58,511)	(13,416)	(144,295)	(75)	(2,824)	-	(219,121)
Net Book Value								
at 31 March 2017	504,332	306,568	8,880	155,950	12,303	26,538	325	1,014,896
at 31 March 2018	496,576	332,519	8,034	147,797	12,569	27,042	6,722	1,031,258

Property, Plant and Equipment 2018/19

Movements to 31 March 2018

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2018	496,576	391,030	21,450	292,092	12,644	29,866	6,722	1,250,380
Adjustments to cost/value & depreciation/impairment	-	-	-	-	-	-	-	-
Additions	8,975	8,092	2,572	4,805	150	563	12,258	37,415
Revaluation increases/(decreases) recognised in the Revaluation Reserve	53,659	6,861	-	-	-	723	-	61,243
Derecognition – disposals	(1,870)	(1,188)	(982)	-	-	-	-	(4,040)
Reclassifications and transfer	1,533	(1,454)	-	-	-	1,454	(1,533)	-
Other movements in cost or valuation	(7,820)	-	-	-	-	-	-	(7,820)
at 31 March 2019	551,053	403,341	23,040	296,897	12,794	32,606	17,447	1,337,177
Accumulated Depreciation and Impairment								
at 1 April 2018	-	(58,511)	(13,416)	(144,295)	(75)	(2,824)	-	(219,121)
Adjustments to cost/value & depreciation/impairment	-	-	-	-	-	-	-	-
Depreciation charge	(7,820)	(9,431)	(1,813)	(14,815)	-	(95)	-	(33,974)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	7,984	-	(565)	-	7	-	7,426
Derecognition – disposals	-	203	876	-	-	-	-	1,079
Reclassifications and transfers	-	140	-	-	-	(140)	-	-
Other movements in depreciation and impairment	7,820	-	-	-	-	-	-	7,820
at 31 March 2019	-	(59,615)	(14,353)	(159,675)	(75)	(3,052)	-	(236,770)
Net Book Value								
at 31 March 2018	496,576	332,519	8,034	147,797	12,569	27,042	6,722	1,031,258
at 31 March 2019	551,053	343,726	8,687	137,222	12,719	29,554	17,447	1,100,407

Note 15 - Heritage Assets

2017/18 £000	Heritage Assets	Reading Abbey £000	Civic Regalia £000	Other £000	Total 2018/19 £000
1,113	Opening Balance	1,658	491	163	2,312
1,200	Acquisitions	363	-	-	363
-	- Revaluations	-	-	16	16
2,313	Closing Balance	2,021	491	179	2,691

Heritage assets include

- Reading Abbey Quarter, in 2009 the remains of Reading Abbey were closed to the public. This was due to their deteriorating condition making them unsafe for visitors. The 'Reading Abbey Revealed' project was conceived by Reading Borough Council in 2010 to develop the Abbey Quarter. In December 2015 the project secured Heritage Lottery funding of £1.77m. This was match-funded by Reading Council with £1.37m from ring-fenced development contributions. This made a total of £3.15m. The Ruins re-opened to the public on 16 June 2018 and the project will run until 2020. The asset is held on the balance sheet based on a land valuation from 2007 (prior to the commencement of restoration works) plus the cost of additional works carried out since the valuation. Due to the recent restoration works, it is planned for this asset to be valued during the 2019/2020 financial year when the works are substantially complete. <https://www.readingabbeyquarter.org.uk/>
- Civic Regalia, the collection contains around 200 items, mainly donated by individuals or organisations local to the area, and includes a George III Coronation Mace bearing the Royal Arms & Crown (dated 1769) and the Mayor's Robes and Chain. The collection is held on the balance sheet at insurance valuation.
- Father Willis Organ, the organ was built by Henry Willis in 1864 for the old Town Hall, which dates from 1785. The organ was rebuilt by Willis for the new Hall in 1882. The Organ is held on the balance sheet at the cost of the restoration works in 1999.
- Art Works, the John Piper photolithograph prints are of the Reading Tapestries – the two tapestries, Reading Townscape and Rural Reading, were commissioned by Reading Borough Council to celebrate the opening of the New Civic Offices in 1970. The original prints are currently held in secure storage, with reproductions of the same hanging in the Council Chamber, Civic Offices. The prints are held on the balance sheet at a value based on previous sales

Note 16 - Investment Properties

31 March 2018		31 March 2019
£000	Investment Property Income and Expenditure	£000
(2,231)	Rental income from investment property	(3,908)
	- Direct operating expenses from investment property	-
	- Other income and expenditure	-
(2,231)	Net (gain)/loss	(3,908)

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The above items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

31 March 2018		31 March 2019
Non-Current £000	Investment Properties Movements in Year	Non-Current £000
25,910	Opening Balance	41,775
21,276	Purchases	30
	- Disposals	-
(5,411)	Net gains/losses from fair value adjustments	1,947
	- Transfer to/from Property Plant and Equipment	-
41,775	Balance at the end of the year	43,752

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with Finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters. The table above summarises the movement in the fair value of investment properties over the year.

Note 17 - Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased licenses. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority.

31 March 2018		31 March 2019	
£000		£000	
Intangible Assets			
115	Opening balance	1,369	
981	Additions	662	
(884)	Depreciation	(740)	
1,157	Transfers	-	
1,369	Closing balance	1,291	

Note 18 - 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:

2017/18 Long term £000	2017/18 Short Term £000		2018/19 Long Term £000	2018/19 Short term £000
Loans and Receivables				
17,538	17,352	Debtors	27,950	18,141
-	29,835	Cash and cash equivalents	-	34,311
Available for Sale Assets				
14,913	-	Investments ¹	15,145	-
32,451	47,187	Total Financial Assets	43,095	52,452
Financial liabilities at amortised cost				
Loans and Receivables				
(288,207)	(91,537)	Borrowing	(349,129)	(47,690)
-	(31,946)	Creditors		(41,830)
(27,232)	(927)	PFI lease liability ²	(26,244)	(989)
(315,439)	(124,410)	Total Financial Liabilities	(375,373)	(90,509)

¹ 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.

² 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 21 and 23 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

Income, Expense, Gains and Losses

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

2017/18		Financial Liabilities:	Financial Assets:	Financial Assets:	2018/19
Total		Amortised cost	Loans and receivables	Available-for-sale assets	Total
£000		£000	£000	£000	£000
13,926	Interest expense	14,151			14,151
(1,861)	Interest income		(1,646)		(1,646)
136	Fees	163			163
12,201	Net impact on (surplus)/deficit on provision of Services	14,314	(1,646)	-	12,668
(676)	(Gain)/loss on Revaluation			(232)	(232)
(676)	Impact Other Comprehensive Income and Expenditure	-	-	(232)	(232)
11,525	Net (gain)/loss for the year	14,314	(1,646)	(232)	12,436

Financial Assets Measured at Fair Value

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.

2017/18			2018/19	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
Loans and receivables				
34,890	34,890	Debtors	18,141	18,141
29,835	29,835	Cash and cash equivalents	34,311	34,311
64,725	64,725	Total financial assets	52,452	52,452
Financial Liabilities at amortised Cost				
Borrowing:				
(273,362)	(352,435)	Public Works Loans Board	(323,357)	(403,986)
(25,130)	(46,615)	Lender Option Borrower Option loans	(25,130)	(45,083)
(5,105)	(7,186)	Other long term loans	(5,289)	(7,366)
(76,107)	(76,107)	Temporary borrowing	(43,042)	(43,042)
(379,704)	(482,343)		(396,819)	(499,478)
(31,946)	(31,946)	Creditors	(41,830)	(41,830)
(28,160)	(50,079)	PFI liabilities	(27,232)	(45,604)
(439,810)	(564,368)	Total	(465,881)	(586,913)

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 21. The gross past due sundry debtor amount can be analysed by age as follows:

2017/18		2018/19	
£'000		£'000	
1,957	Less than one month	2,058	
1,041	One to three months	1,828	
273	Four to five months	419	
2,142	More than five months	3,364	
5,413	Total	7,669	

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.

2017/18		2018/19	
£ '000		£ '000	
81,408	Less than one year	47,877	
4,415	1 - 2 years	7,361	
12,141	2 - 5 years	7,120	
21,340	5 - 10 years	20,500	
56,500	10 - 25 years	77,000	
113,940	25 - 40 years	216,961	
90,000	40+ years	20,000	
379,744		396,819	

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 £15.15m. A 5% fall in commercial property prices would result in a £0.76m charge to Other Comprehensive Income and Expenditure but this would have no impact on Council Tax until the investment was sold.

Note 19 - 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 2	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 £16.5m (£7.1m 17/18). 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 2019.

2017/18	Assessed valuation range		Value at 31 March 2018 £000	Value on increase £000	Value on decrease £000
	+	-			
Property Fund	5%	5%	14,913	15,659	14,167
Long-term loans	0%	0%	17,538	17,538	17,538
Investment property	5%	5%	41,775	43,864	39,686
Assets held for sale	0%	5%	50	50	48
Surplus assets	0%	5%	27,042	27,042	25,690
Total			101,318	104,152	97,129

2018/19	Assessed valuation range		Value at 31 March 2019 £000	Value on increase £000	Value on decrease £000
	+	-			
Property Fund	5%	5%	15,145	15,902	14,388
Long-term loans	0%	0%	27,950	27,950	27,950
Investment property	5%	5%	43,752	45,940	41,564
Assets held for sale	0%	5%	-	-	-
Surplus assets	0%	5%	29,555	29,555	28,077
Total			116,402	119,347	111,979

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

31 March 2017 £000		Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2018 £000
14,237	Property fund					676		14,913
8,996	Long-term loans		(1,660)	10,202				17,538
25,910	Investment property			21,276		(5,411)		41,775
440	Assets held for sale				(400)	10		50
26,538	Surplus assets	4,756		82	(9,820)	7,732	(2,246)	27,042
76,121	Total	4,756	(1,660)	31,560	(10,220)	3,007	(2,246)	101,318

31 March 2018 £000		Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2019 £000
14,913	Property fund					232		15,145
17,538	Long-term loans		(8,859)	19,271				27,950
41,775	Investment property			30		1,947		43,752
50	Assets held for sale				(50)			-
27,042	Surplus assets	1,454	(140)	563		723	(87)	29,555
101,318	Total	1,454	(8,999)	19,864	(50)	2,902	(87)	116,402

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.

Fair Value Hierarchy				2017/18	Fair Value Hierarchy				2018/19
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
£000	£000	£000	£000		£000	£000	£000	£000	
				Assets					
-	-	17,538	17,538	Long-term loans	-	-	27,950	27,950	
-	-	14,913	14,913	Available for sale financial assets	-	-	15,145	15,145	
-	-	68,867	68,867	Non-financial assets at fair value	-	-	73,307	73,307	
-	-	101,318	101,318	Total assets	-	-	116,402	116,402	
				Liabilities					
				Borrowing:					
-	(273,362)	-	(273,362)	Public Works Loans Board (PWLB)	-	(323,357)	-	(323,357)	
-	(25,130)	-	(25,130)	LOBOs	-	(25,130)	-	(25,130)	
-	(5,105)	-	(5,105)	Other lenders	-	(5,289)	-	(5,289)	
	(76,107)		(76,107)	Temporary Borrowing	-	(43,042)	-	(43,042)	
-	(28,160)	-	(28,160)	Service concessions	-	(27,232)	-	(27,232)	
-	(407,864)	-	(407,864)	Total liabilities	-	(424,051)	-	(424,051)	

Note 20 - Capital Commitments

At 31st March 2019, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019-20 and future years at a cost of £6.0m. The major commitments are as follows:

	31 March 2018 £000		31 March 2019 £000
7,698		Housing Revenue Account-New Build - Conwy Close	1,201
-		Green Park Station	3,500
318		South Reading MRT Phase 1b and Phase 2	-
-		South Reading MRT Phase 1b and Phase 4a	759
		Town Hall	298
343		Reading Abbey Revealed	46
224		Community Hubs	19
125		School Expansion at Hodsoll Road	-
81		School Expansion at EP Collier	-
85		Other small schemes	175
8,874		Total	5,998

Note 21 - Debtors

Long 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:

	1 April 2018	New advances recognised	Transfer (to)/from short term or other	31 March 2019
	£ '000	£ '000	£ '000	£ '000
Brighter Futures for Children	-	5,000	-	5,000
Homes for Reading	3,600	13,900	-	17,500
NCP Limited	1,089	-	(1,089)	-
Reading Transport Limited	6,048	371	(1,523)	4,896
Other mortgages and Loans	4	-	-	4
Other long term debtors	685	-	(134)	551
LGPS payment in Advance	6,112	-	(6,112)	-
	17,538	19,271	(8,858)	27,951

Short Term Debtors

The outstanding debtors due within one year recognised by the Council at the 31st March 2018, net of impairments for bad debts, were:

31 March 2018		31 March 2019
£000		£000
5,693	Central Government Bodies	22,864
1,647	Other Local Authorities	1,748
413	NHS Bodies	283
36,770	Other Entities and Individuals	49,096
44,523	Total Debtors	73,991

Note 22 - Cash and Cash Equivalents

31 March 2018		31 March 2019
£000		£000
29,835	Cash and Bank balances	34,311
29,835	Total Cash and Cash Equivalents	34,311

Note 23 - Creditors

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

31 March 2018		31 March 2019
£000		£000
(13,088)	Central Government Bodies	(10,905)
(1,560)	Other Local Authorities	(6,811)
(385)	NHS Bodies	(506)
-	Public Corporations and Trading Funds	-
(47,551)	Other Entities and Individuals	(62,152)
(62,584)	Total Creditors	(80,375)

Note 24 - Provisions

	Balance at 1st April 2018	Transfers	Amounts Used in 2018/19	Additional Provisions Made in 2018/19	Balance at 31st March 2019
	£ '000	£ '000	£ '000	£ '000	£ '000
Provision for NNDR Appeals	(5,855)		4,909	(6,095)	(7,042)
Insurance	(1,248)		3,705	(4,054)	(1,597)
Sleep-in Allowance	(952)		-	-	(952)
Ordinary Residence Disputes	(1,103)		453	-	(650)
Unequal Pay Back Pay	(10,650)		8,820	-	(1,830)
Other	(98)			(593)	(691)
Total Short Term Provisions	(19,906)		17,887	(10,742)	(12,761)
Unequal Pay Back Pay	-				
Rent deposit guarantee	(470)			(30)	(500)
Other	(20)				(20)
Total Long Term Provisions	(490)			(30)	(520)
Total Provisions	(20,396)		17,887	(10,772)	(13,281)

Business rates 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 and anticipated liabilities on claims under the Council's insurance arrangements.

Sleep-in Allowance - a provision has been made to recognise a potential back pay liability as a result of legal developments in relation to sleep-in shifts. The Mencap vs Tomlinson-Blake EAT ruling found that care providers must pay the National Minimum Wage throughout a sleep-in shift rather than the fixed allowance that is currently paid. This is currently subject to appeal.

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 provision, the Council has taken advantage of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, as amended, that provide discretion not to charge the full provision to the accounts, so this sum is not fully 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.

Ordinary Residence Disputes Provision - This refers to cases within Adult Social Care where Ordinary Residence is in dispute with another local authority and determination from the Secretary of State is being sought. If it is determined that the Ordinary Residence for these cases is within Reading Borough Council then payment will have to be made for the backdated costs of the placements.

Note 25 - Usable Reserves

The Usable Reserves of the Council are as follows:

31 March 2018		Note	31 March 2019
£000			£000
(7,000)	General Fund		(7,500)
(26,853)	HRA		(33,876)
(32,949)	Earmarked Reserves	9	(42,898)
(1,328)	Major Repairs Reserve		(1,745)
(14,988)	Capital Grants Unapplied		(16,897)
(23,472)	Capital Receipts Reserve		(8,670)
(106,590)	Total		(111,586)

Capital Receipts Reserve

31 March 2018		31 March 2019
£000		£000
(20,718)	Balance 1 April	(23,472)
(11,151)	Capital Receipts in year	(5,240)
(290)	Deferred Receipts realised	(250)
923	Capital Receipts Pooled	1,421
-	Capital Receipts transferred to Capital Adjustment Account to repay debt	-
5,403	Equal Pay	8,820
3,491	Capital Receipts used for financing	11,261
(1,130)	Other movements	(1,210)
(23,472)	Balance 31 March	(8,670)

Major Repairs Reserve

31 March 2018		31 March 2019
£000		£000
-	Balance 1 April	(1,328)
(7,982)	Depreciation and Amortisation	(7,820)
6,654	Application to finance capital expenditure	7,403
(1,328)	Balance 31 March	(1,745)

Capital Grants Unapplied

31 March 2018		31 March 2019
£000		£000
(8,711)	Balance 1 April	(14,987)
(24,693)	Capital grants recognised in year	(20,979)
18,417	Capital grants and contributions applied	19,069
(14,987)	Balance 31 March	(16,897)

Note 26 - Unusable Reserves

The Unusable Reserves of the Council are as follows:

31 March 2018		31 March 2019
£000		£000
(193,444)	Revaluation Reserve	(250,965)
87	Available for Sale Financial Instruments Reserve	(145)
(381,508)	Capital Adjustment Account	(394,021)
-	- Financial Instruments Adjustment Account	-
446,498	Pension Reserve	454,348
(1,480)	Deferred Capital Receipts Reserve	(1,231)
(3,020)	Collection Fund Adjustment Account	(8,566)
9,150	Unequal Pay Back Pay Account	330
1,128	Accumulated Absences Account	2,076
(122,589)	Total	(198,174)

Revaluation Reserve

31 March 2018		31 March 2019
£000		£000
(178,505)	Balance 1 April	(193,444)
(2,065)	Opening balance adjustment	-
(30,721)	Upward revaluation of assets	(64,149)
14,119	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,891
(16,602)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(61,258)
3,084	Difference between fair value depreciation and historical cost depreciation	716
644	Accumulated gains on assets sold or scrapped	3,021
-	- Other movements	-
3,728	Amount written off to the Capital Adjustment Account	3,737
(193,444)	Balance 31 March	(250,965)

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment and intangible assets.

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

Available for Sale Financial Instruments Reserve

31 March 2018		31 March 2019
£000		£000
762	Balance 1 April	87
(676)	Upward revaluation of investments	(232)
0	Downward revaluation of investments not charged to the Surplus or Deficit on the Provision of Services	-
87	Balance 31 March	(145)

The Available for Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realized

Capital Adjustment Account

31 March 2018 £000		31 March 2019 £000
(385,452)	Balance 1 April	(381,508)
2,259	Opening balance adjustment	-
20,845	Charges for depreciation and impairment of non-current assets	27,417
884	Amortisation of intangible assets	740
4,757	Revenue expenditure funded from capital under statute	7,300
11,986	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	3,011
38,472	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	38,468
(3,728)	Adjusting Amounts written out of the Revaluation Reserve	(3,737)
34,744	Net written out amount of the cost of non-current assets consumed in the year	34,731
(3,491)	Use of Capital Receipts Reserve to finance new capital expenditure	(11,264)
(6,654)	Use of Major Repairs Reserve to finance new capital expenditure	(7,403)
(18,907)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(19,069)
(10,084)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,605)
(332)	Capital expenditure charged against the General Fund and HRA balances	(22)
(39,468)	Capital financing applied in year:	(46,363)
5,412	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,947)
997	Other movements	1,066
	Repayment of borrowing	
(381,508)	Balance 31 March	(394,021)

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority. The Account also contains revaluation gains accumulated on property, plant and

equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Financial Instruments Adjustment Account

31 March 2018		31 March 2019
£000		£000
(1)	Balance 1 April	-
1	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
1	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 statutory requirements	-
-	Balance 31 March	-

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 per statutory provisions.

Pension Reserve

31 March 2018		31 March 2019
£000		£000
450,964	Balance 1 April	446,498
(32,708)	Remeasurements of the net defined benefit (liability)/asset	(12,151)
44,077	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	36,405
(15,835)	Employer's pensions contributions and direct payments to pensioners payable in the year	(16,404)
0	Other movements	0
446,498	Balance 31 March	454,348

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

employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Deferred Capital Receipts Reserve

31 March 2018		31 March 2019
£000		£000
(1,615)	Balance 1 April	(1,480)
328	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(193)	Other movements	249
(1,480)	Balance 31 March	(1,231)

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Collection Fund Adjustment Account

31 March 2018		31 March 2019
£000		£000
(3,123)	Balance 1 April	(3,020)
103	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(5,546)
(3,020)	Balance 31 March	(8,566)

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Unequal Pay Back Pay Account

31 March 2018		31 March 2019
£000		£000
6,150	Balance 1 April	9,150
8,403	Increase in provision for back pay in relation to Equal Pay cases	-
(5,403)	Cash settlements paid in the year	(8,820)
3,000	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	(8,820)
9,150	Balance 31 March	330

The Unequal Pay Backpay Account shows the balance of the Equal Pay Provision that the Council has not funded from revenue resources

Accumulated Absences Account

31 March 2018		31 March 2019
£000		£000
1,806	Balance 1 April	1,128
(1,806)	Settlement or cancellation of accrual made at the end of the preceding year	(1,128)
1,128	Amounts accrued at the end of the current year	2,076
(678)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	948
1,128	Balance 31 March	2,076

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Note 27 - Cash Flow from Operating Activities

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

The cash flows for operating activities include the following items:

31 March 2018		31 March 2019
£000		£000
(1,843)	Interest received	(1,718)
13,822	Interest paid	14,205
11,979	Total	12,487

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2018		31 March 2019
£000		£000
(36,121)	Depreciation	(33,731)
15,049	Impairment and downward valuations	7,178
(884)	Amortisation	(740)
-	(Increase)/decrease in impairment for bad debts	-
3,987	(Increase)/decrease in creditors	(26,275)
21,155	Increase/(decrease) in debtors	24,117
(23)	Increase/(decrease) in inventories	2
(28,242)	Movement in pension liability	(20,001)
(11,987)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,011)
(4,018)	Other non-cash movements charged to the surplus or deficit on provision of services	9,046
(41,084)	Total	(43,414)

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2018		31 March 2019
£000		£000
11,440	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,384
25,183	Any other items for which the cash effects are investing or financing cash flows	20,979
36,623	Total	26,363

Note 28 - Cash Flow from Investing Activities

31 March 2018		31 March 2019
£000		£000
58,968	Purchase of property, plant and equipment, investment property and intangible assets	37,639
2,743	Purchase of short-term and long-term investments	9,546
9,519	Other payments for investing activities	19,271
(11,165)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,243)
(39,814)	Other receipts from investing activities	(40,448)
20,251	Net cash flows from investing activities	24,765

Note 29 - Cash Flow from Financing Activities

31 March 2018		31 March 2019
£000		£000
(126,000)	Cash receipts of short-term and long-term borrowing	(193,800)
1,083	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	927
97,257	Repayments of short-term and long-term borrowing	176,707
(2,869)	Other payments for financing activities	10,917
(30,529)	Net cash flows from financing activities	(5,249)

Note 30 - 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.

2017/18	Housing Building Maintenance	2018/19
£000		£000
7,508	Income	8,413
(7,565)	Expenditure	(8,966)
(57)	Net Surplus / Deficit for Year	(553)

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.

2017/18	Building Control Trading Account	2018/19
£000		£000
380	Income	351
(548)	Expenditure	(629)
(168)	Net Surplus / Deficit for Year	(278)

Note 31 - Partnership Arrangements

The Council is not involved in any formal Agency arrangements. However, 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 £20.1m (2017/18: £25.6m).

The Council administered £8.0m (2017/18: £7.3m) of this total. The most significant Joint Arrangements managed by the Council include:

- Child Care Lawyers (£5.3m)
- Coroner's Service (£1.6m)
- Berkshire Records Office (£0.8m)

Note 32 - Pooled Budgets

The Council is party to a number of pooled budget arrangements for Adult Social Care and support services. Details of significant arrangements for 2018/19 are as follows:

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 Pooled Budget Arrangement with South Reading Clinical Commissioning Group (CCG) and North and West Reading CCG. The total value of this Fund at the end of 2018/19 was £12.9m (2017/18: £12.3m), with the Council's budgeted contribution as £0.3m (2017/18: £0.3m). The Council hosted schemes worth £8.6m in total at the end of 2018/19 (2017/18: £8.1m).

Community Equipment Service

The pooled budget for community equipment was established under Section 75 of the NHS Act 2006 with West Berkshire Council as the lead Council. This arrangement exists between the six Berkshire Unitary Authorities and the local Clinical Commissioning Groups covering the same geographical area. 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 purchase the equipment on behalf of the partners and charge them for what they use. In 2018/19, the gross expenditure of the partnership was £8.9m (2017/18: £7.6m), to which the Council contributed £0.5m (2017/18: £0.5m).

Note 33 - 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 - www.reading.gov.uk. 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 2018/19 was £450,792 (2017/18: £446,745), split over the following categories:

31 March 2018		31 March 2019
£000		£000
372	Salaries	376
75	Allowances	75
447	Total Members' Allowances	451

Note 34 - 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:

Senior Officer Remuneration

	Salary, Fees and Allowances	Pension Contribution	Total
2017/18	£	£	£
Chief Executive - Peter Sloman	128,267	28,090	156,357
Director of Environment and Neighbourhood Services	101,295	143,186	244,481
Director of Adult Care & Health Services	87,202	19,097	106,299
Head of Customer Services & Transformation	48,426	122,063	170,489
Head of Legal and Democratic Services	97,206	21,288	118,494
Director of Children, Education & Early Help Services	120,158	25,686	145,844
Director of Resources	4,543	995	5,538
Total	587,097	360,405	947,502

	Salary, Fees and Allowances	Pension Contribution	Total
2018/19	£	£	£
Chief Executive*1 - Peter Sloman	158,222	34,847	193,070
Director of Environment and Neighbourhood Services*3	78,767	0	78,767
Director of Adult Care & Health Services	132,636	29,047	161,683
Strategic Communications Manager*7	13,103	2,869	15,972
Head of Legal and Democratic Services*6	96,827	21,205	118,032
Senior Coroner*8 *9	158,042	33,445	191,487
Director of Children, Education & Early Help Services*4 *5	108,455	22,469	130,923
Director of Resources*2	131,331	28,984	160,315
Total	877,383	172,867	1,050,250

1. Salary includes Christmas annual leave deduction of £898
2. Salary includes Christmas annual leave deduction of £1,015
3. Salary includes Christmas annual leave deduction of £571

4. Officer (Acting Director) stood down from role 3rd July. The Director of Resources joined the Council in March 2018
5. Officer started 4th July 2018 and departed 5th February 2019; salary includes £3,807 of a/l hours.
6. The Head of Legal & Democratic Services is also the Returning Officer and his salary includes £4,854 for this role.
7. The Strategic Communications Manager started 2nd January 2019.
8. Officer Departed July 2018. Salary includes £35,964 pay award backdated 1st April 2015 and £3,042 of a/l hours.
9. Officer started August 2018. Salary includes £2,284 accommodation allowance.

The authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Officer Remuneration

Number of Employees

2017/18			2018/19		
Schools	Non-schools	Total	Schools	Non-schools	Total
13	37	50	18	32	50
10	25	35	6	22	28
7	9	16	7	7	14
8	4	12	7	3	10
6	8	14	6	5	11
2	1	3	3	5	8
1	3	4	-	4	4
-	-	-	-	4	4
-	1	1	-	-	-
1	-	1	-	1	1
1	-	1	2	-	2
-	-	-	-	-	-
-	-	-	-	-	-
1	-	1	-	-	-
-	-	-	-	1	1
-	-	-	-	1	1
-	-	-	-	-	-
-	-	-	-	-	-
50	88	138	49	85	134

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0-£20,000	-	-	64	45	64	45	476,756	344,901
£20,001 - £40,000	-	-	6	9	6	9	170,449	260,243
£40,001 - £60,000	-	-	2	8	2	8	83,734	390,873
£60,001 - £80,000	-	-	1	1	1	1	67,905	73,645
£80,001 - £100,000	-	-	2	-	2	-	175,476	-
£100,001 - £150,000	-	-	-	1	-	1	-	100,594
Total	-	-	75	64	75	64	974,320	1,170,256

Add: Amounts provided for in CIES not included in bandings

Total cost included in CIES

974,320 **1,170,256**

As a result of various changes being implemented by the Council, a number of individuals have received Exit Packages, including redundancy compensation. The preceding table (and prior year comparators) shows those amounts paid 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 above.

Note 35 - External Audit Costs

The Council's external auditors are EY. The amounts payable by the Council to EY for external audit services are as follows:

2017/18		2018/19	
	£000		£000
409	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year		395
35	Fees payable to external auditors for the certification of grant claims and returns for the year		-
(16)	Fees payable in respect of other services provided by external auditors during the year		-
428	Total		395

Note 36 - 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 are as follows:

DSG Receivable for 2017/18	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			114,345
Academy figure recouped for year			(37,296)
Total DSG after academy recoupment			77,049
Plus: Brought forward from previous year			(3,197)
Less: Carry forward to following year (agreed in advance)			-
Agreed initial budgeted distribution in year	16,813	57,039	73,852
In year adjustments	-	(76)	(76)
Final budget distribution for year	16,813	56,963	73,776
Less: Actual central expenditure	(19,797)		(19,797)
Less: Actual ISB deployed to schools		(56,963)	(56,963)
Plus: Local Authority contribution for year	124	-	124
Carry forward to 2018/19	(2,860)	-	(2,860)

DSG Receivable for 2018/19	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			120,200
Academy figure recouped for year			(42,946)
Total DSG after academy recoupment			77,254
Plus: Brought forward from previous year			(2,860)
Less: Carry forward to following year (agreed in advance)			-
Agreed initial budgeted distribution in year	16,365	58,029	74,394
In year adjustments	-	216	216
Final budget distribution for year	16,365	58,245	74,610
Less: Actual central expenditure	(18,640)		(18,640)
Less: Actual ISB deployed to schools		(57,643)	(57,643)
Plus: Local Authority contribution for year	68	-	68
Carry forward to 2019/20	(2,207)	602	(1,605)

Note 37 - Grant Income

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 2018/19 as follows:

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2018 £000		31 March 2019 £000
(10,368)	Revenue Support Grant	-
(4,391)	New Homes Bonus	(3,464)
(4,208)	Other non-specific revenue grants	(6,132)
(18,996)	Capital Grants	(15,590)
(6,186)	Capital Contributions	(5,503)
(44,149)	Total	(30,691)

Credited to Services

31 March 2018 £000		31 March 2019 £000
(76,973)	Dedicated Schools Grant	(77,470)
(71,275)	Housing Benefit & Council Tax Benefit subsidy	(60,736)
(10,021)	Public Health Grant	(9,758)
(3,997)	North Whitley PFI - Housing	(3,997)
(3,860)	Pupil Premium	(3,851)
(1,635)	Improved Better Care Fund	(1,965)
(1,384)	Childrens Company Set up grant	(1,433)
(1,212)	Universal Free School Meals	(1,406)
(1,057)	PFI Central Berkshire Waste Disposal	(1,057)
(747)	6th Form Funding	(657)
(667)	Flexible Homelessness Support	(767)
(530)	Troubled Families	(357)
(4,954)	Other Grants	(5,705)
(178,312)	Total	(169,159)

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2018		31 March 2019
£000		£000
(5,406)	LEP - New Enterprise Allowance Schemes	(8,697)
(512)	Devolved Formula Grant	(1,181)
-	Air Quality Bus Retrofit	(1,192)
(17,127)	S106 Contributions	(22,152)
(48)	Other Grants	(565)
(23,093)	Total	(33,787)

Note 38 - Related Parties

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
- Members of the Corporate Management Team (CMT). (Additional details of these Officers are provided in Note 34)

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). 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 2018/19 being £373k (2017/18: £505k). 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 declared that their partner is employed by BWA.

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

Four members sit on the Board of Readibus, and one Member sat on the board for the 2018/19 year but resigned on 27/02/2019. 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 2018/19, the Council incurred costs of £1.1m (2017/18: £687k) with Readibus, of which £45k (2017/18: £345k) was for grant funding, with the balance allocated to the provision of services.

No members of CMT declared any material financial interests during 2017/18 or 2018/19.

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 26 Capital and Revenue Grants, Note 21 Debtors, Note 23 Creditors and Note 20 Capital Expenditure.

Transactions with other Public Bodies

The Council is involved with a number of Pooled Budget arrangements under Section 75 of the NHS Act 2006; the counterparties to these arrangements include the other Berkshire Authorities and a number of Health Trusts. Full details of the transactions with the Pool are set-out in Note 32 Pooled Budgets.

Transactions with Bodies wholly owned or controlled by the Council

The Council has substantial interests in 5 companies (Reading Transport Limited, Homes for Reading Limited and the three companies making up the REDCO Group). Full details of the Council's interest in Reading Transport Limited and Homes for Reading are described in the Group Accounts. Included within the Council's Cost of Services line in the Comprehensive Income and Expenditure Statement is £5.6m (2017/18: £4.9m) of expenditure that the Council has incurred with Reading Transport Limited. Homes for Reading has only recently started trading and REDCO is dormant.

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 but as transactions with RHPP total £1.3m (2017/19: less than £1.0m) and the entity has no assets, RHPP has been excluded from the Group Accounts on materiality grounds.

The Council holds 100% of the shareholding of Reading Economic Development Company Limited and its subsidiaries; this is a property investment company supporting the Council's property services strategy and includes car parks and industrial estates. The Council has been assessed as being able to exert significant influence over the organisation and all transactions are reflected in the Group Accounts.

One member is a trustee of the Reading Community Welfare Rights Unit (RCWRU), a registered charity and company. The RCWRU received £105k (2017/18: £114k) from Reading Borough Council representing a material proportion of RCWRU's grant income. Two members stood down from their roles as trustees within the 2018/19 year.

The Council's Leader and Chief Executive 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 2018/19), the Council does exhibit some influence as the majority of the turnover is derived directly or indirectly from the Council.

Note 39 - Capital Expenditure and Capital Financing

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.

31 March 2018		31 March 2019
£000		£000
495,793	Opening Capital Financing Requirement restated	524,958
	Capital Investment: ,	
33,586	Property Plant and Equipment	37,416
21,276	Investment Property	30
981	Intangible Assets	662
1,200	Heritage Assets	363
4,757	Revenue Expenditure Funded from Capital Under Statute	7,300
4,090	Long term debtor	14,271
2,743	Long term Investment	9,380
68,633	Total Capital Spending	69,422
	Sources of Finance:	
(3,491)	Capital receipts	(11,261)
(18,907)	Government Grants and other contributions	(19,069)
(6,654)	Major repairs reserve	(7,403)
	Sums set aside from revenue:	
(332)	- Direct revenue contributions	(22)
(10,084)	- Minimum revenue provision	(8,605)
	- Application of capital receipts	
(39,468)	Total Sources of Finance	(46,360)
524,958	Closing Capital Financing Requirement	548,020

Explanation of movements in year

31 March 2018		31 March 2019
£000		£000
39,249	Increase in underlying need to borrow (unsupported by government financial assistance)	31,667
	- Assets acquired under PFI contracts	-
(10,084)	Minimum revenue provision	(8,605)
29,165	Increase/(decrease) in Capital Financing Requirement	23,062

Note 40 - Leases

Authority as Lessee - Finance Leases

At the 31st March 2019, the value of assets held under finance leases was judged to be immaterial.

Authority as Lessee - Operating Leases

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:

31 March 2018		31 March 2019	
£000		£000	
27	Not later than one year	27	
108	Later than one year and not later than five years	108	
193	Later than five years	166	
328	Total	301	

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to this lease was £27,000 in 2018/19 (£27,000 in 2017/18).

Authority as 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:

31 March 2018		31 March 2019	
£000		£000	
	Finance lease debtor (net present value of minimum lease payments):		
1,214	- current	1,253	
6,048	- non-current	4,305	
578	Unearned finance income	386	
7,840	Gross investment in the lease	5,944	

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

Gross Investment in the Lease			Minimum Lease Payments	
31 March 2018	31 March 2019		31 March 2018	31 March 2019
£000	£000			£000
1,406	1,406	Not later than one year	1,406	1,406
5,802	4,064	Later than one year and not later than five years	5,802	4,064
633	475	Later than five years	633	475
7,840	5,944	Total	7,840	5,944

Authority as Lessor - 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:

31 March 2018		31 March 2019
£000		£000
3,837	Not later than one year	3,818
14,310	Later than one year and not later than five years	13,423
11,266	Later than five years	8,001
29,413	Total	25,242

Note 41 - Service Concession Arrangements

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.

a) North Whitley Housing PFI scheme

2018/19 was the fifteenth year of a 30 year PFI contract to manage and maintain 1,280 dwellings on the North Whitley estate to defined availability and quality standard (1,374 dwellings remained as at 31 March 2018). 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 14.

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 2019 are as follows:

2017/18				2018/19				
Service cost	Reimbursement of capital expenditure	Interest	Total		Service cost	Reimbursement of capital expenditure	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
3,701	380	2,668	6,749	within 1 year	3,668	405	2,569	6,642
15,383	2,116	10,554	28,053	within 2-5 years	15,192	1,711	10,100	27,003
20,601	4,146	12,820	37,567	within 6-10 years	20,216	4,146	12,110	36,472
22,237	10,364	7,951	40,552	within 11-15 years	21,671	10,364	7,062	39,097
5,049	3,246	913	9,208	within 16-20 years	4,900	3,246	694	8,840
66,971	20,252	34,906	122,129		65,647	19,872	32,535	118,054

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:

2017/18		2018/19	
£'000		£'000	
(20,853)	Opening balance	(20,252)	
601	Repayment of liability	380	
(20,252)		(19,872)	

b) 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

2017/18			2018/19		
Land & Buildings	Plant & Equipment	Total	Land & Buildings	Plant & Equipment	Total
£000s	£000s	£000s	£000s	£000s	£000s
12,109	2,728	14,837			Opening Balance
(964)	(488)	(1,452)			Restatement
11,145	2,240	13,385	10,841	2,197	Restated opening balance
-	-	-	-	-	Revaluations
(304)	(102)	(406)	-304	-105	Depreciation
-	-	-	-	-	Impairment
-	59	59	2	-	Additions
10,841	2,197	13,038	10,539	2,092	Closing balance

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 2019 are set out below:

2017/18				2018/19			
Service cost	Reimbursement of capital expenditure	Interest	Total	Service cost	Reimbursement of capital expenditure	Interest	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,989	432	468	2,889	2,036	468	435	2,939
9,011	1,510	1,548	12,069	9,331	1,514	1,436	12,280
12,641	2,412	1,261	16,314	12,995	2,525	1,079	16,599
9,063	2,031	300	11,394	6,353	1,446	159	7,958
32,704	6,385	3,577	42,666	30,715	5,953	3,109	39,776

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

2017/18		2018/19
£000s		£000s
(115)	Within one year	(115)
(460)	2 to 5 years	(460)
(575)	6 to 10 years	(575)
(372)	11 to 15 years	(257)
(1,522)		(1,407)

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

2017/18		2018/19
£000s		£000s
(6,752)	Opening balance	(6,385)
367	Repayment	432
<u>(6,385)</u>	<u>Closing balance</u>	<u>(5,953)</u>

Note 42 - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). 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 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 this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council paid £3.618m to the Teachers Pensions Agency in respect of teachers' retirement benefits representing 16.2% of pensionable pay (in 2017/18 £3.732m was paid representing 16.1% of pensionable pay). There were no contributions payable at the year-end. The expected contributions to the Teachers' Pension Scheme for 2019/20 are £3.6m.

Note 43 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of postemployment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement

The Council materially contributes to two pension schemes: the Local Government Pension Scheme, and the Teachers' Pension Scheme (see Note 43); details of contributions and scheme performance are set out in note i below.

i. 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.

i. Impact on Comprehensive Income & Expenditure Account

2017/18			2018/19	
Funded	Unfunded		Funded	Unfunded
£000	£000		£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services				
		Service cost comprising:		
26,472	-	Current service cost	25,500	-
7,156	-	Past service cost	179	-
-	-	(Gain) / loss from curtailments	-	-
(1,913)	-	(Gain) / loss from settlements and / or transfers	(675)	-
234	-	Administration expenses	276	-
		Other Operating Expenditure:		
		Financing and Investment Income and Expenditure		
12,128	-	Net interest expense	11,125	-
44,077	-	Total charged to Surplus and Deficit on Provision of Services	36,405	-

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

£000	£000		£000	£000
		Re-measurement of the net defined benefit liability comprising:		
(6,450)	-	Return on plan assets (excluding the amount included in the net interest expense)	(5,173)	-
-	-	Actuarial gains and losses arising on changes in demographic assumptions	(49,786)	-
(26,349)	91	Actuarial gains and losses arising on changes in financial assumptions	42,906	(98)
-	-	Other movements in the liability / (asset)	-	-
(32,799)	91	Total charged to Other Comprehensive Income and Expenditure Statement	(12,053)	(98)
11,278	91	Total charged to the Comprehensive Income and Expenditure Statement	24,352	(98)

2017/18			2018/19	
Funded	Unfunded		Funded	Unfunded
£000	£000		£000	£000
Movement in Reserves Statement				
(44,077)		- Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(36,405)	-
		Actual amount charged against the general fund balance for pensions in the year:		
14,957		- Employers' contributions payable to scheme	15,571	-
-		878 Benefits paid direct to beneficiaries	-	833
(29,120)	878		(20,834)	833

ii. Reconciliation between the fair value of assets and liabilities and the balance sheet liability

2017/18		Pensions Assets and Liabilities Recognised in the Balance Sheet	2018/19	
Funded	Unfunded		Funded	Unfunded
£000	£000		£000	£000
(831,308)	(11,214)	Present value of the defined obligation	(856,428)	(10,292)
396,033		- Fair value of plan assets	412,373	-
(435,275)	(11,214)	Net (liability) / asset arising from the defined benefit obligation	(444,055)	(10,292)

iii. Reconciliation of the Present Value of the Scheme Liabilities

2017/18		Movements in the Fair Value of Scheme Liabilities	2018/19	
Funded	Unfunded		Funded	Unfunded
£000	£000		£000	£000
(815,967)	(12,001)	Opening balance at 1 April	(831,307)	(11,223)
(26,472)		- Current service cost	(25,500)	-
(22,708)		- Interest cost	(21,239)	-
(4,512)		- Contributions from scheme participants	(4,469)	-
		Re-measurement gains and losses:		
-		- Actuarial gains / (losses) from changes in demographic assumptions	49,786	-
26,349	(91)	- Actuarial gains / (losses) from changes in financial assumptions	(42,906)	98
-		- - Other	-	-
(7,156)		- Past service cost	(179)	-
16,651	878	Benefits / transfers paid	18,007	833
2,507	0	Liabilities extinguished on settlements	1,379	-
(831,308)	(11,214)	Balance as at 31 March	(856,428)	(10,292)

iv. Reconciliation of the Movement of the fair value of the Plan Assets

2017/18		Movement in the Value of Scheme Assets	2018/19	
Funded	Unfunded		Funded	Unfunded
£000	£000		£000	£000
377,013		- Opening fair value of scheme assets	396,033	-
10,580		- Interest income	10,114	-
		Re-measurement gain / (loss):	-	
6,450		- - The return on plan assets, excluding the amount included in the net interest expense	5,173	-
-		- Other gains / (losses)	-	-
14,957	878	Contributions from employer	15,571	833
4,512		- Contributions from employees into the scheme	4,469	-
(16,651)	(878)	Benefits / transfers paid	(18,007)	(833)
(234)		- Administration expenses	(704)	-
(594)		- Assets Extinguished on Settlement	(276)	-
396,033		- Closing value of scheme assets	412,373	-

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 dependent 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.

v. Principal Assumptions

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

2017/18			2018/19	
Years	Life expectancy assumptions		Years	
	Longevity at 65 for current pensioners			
23.1	Men		22.0	
25.2	Women		24.0	
	Longevity at 65 for future pensioners			
25.3	Men		23.7	
27.5	Women		25.8	
%	Financial assumptions		%	
3.3	RPI		3.4	
2.3	CPI		2.4	
2.6	Discount rate		2.4	
2.3	Pension increases		2.4	
3.8	Salary increases		3.9	

vi. Scheme Assets

2017/18		2018/19	
£'000		£'000	
184,147	Equities	221,471	
58,266	Other Bonds	56,899	
53,506	Property	58,235	
64,324	Cash	33,926	
15,819	Target Return Portfolio	19,772	
6,995	Commodities	3,205	
25,405	Infrastructure	39,426	
(12,429)	Longevity insurance	(20,560)	
396,033 Total		412,374	

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.

vii. 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	Decrease in assumption
	£'000	£'000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(16,871)	17,227
Rate of increase in salaries (increase or decrease by 0.1%)	1,607	(1,594)
Rate of inflation (increase or decrease by 0.1%)	15,603	(15,292)
Longevity (increase or decrease by 1 year)	30,972	(29,901)

Asset and Liability Matching Strategy

In order to manage future liability risk, the Royal County of Berkshire Pension Fund entered into a longevity insurance contract with Swiss Re which covered all of the members of the Fund who had started receiving their pension by the end of July 2009 and their dependents. This contract effectively means that the Fund will pay inflation-linked fixed premiums to Swiss Re and in exchange Swiss Re will pay the actual pension amounts due, thus removing the longevity risk to the Fund in respect of the members covered.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. As at the 2016 funding valuation, the Council's liabilities were 75% funded. 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.

viii. Estimate of contributions for 2019/20

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 are £15.0m (£15.3m in 2018/19).

Note 44 - 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.

The Council has received a number of claims with regard to its duties to care for both elderly and young to which the Council asserts it discharged its duties fully and diligently. Should any of these claims progress, and ultimately prove to be founded, potential exists for compensation payments to become due. It is not possible at this stage to reliably place an estimate on any potential liability or quantum that may be ascribed to these claims.

A small number of outstanding claims with regard to Equal Pay remain, and an appeal has arisen, which the Council asserts is unlikely to succeed. Should these additional claims progress and are found to be well based, a potential liability could arise but at this stage is not possible to reliably quantify.

The Council terminated a contractor relating to the running of a small number of car parks in October 2018. As part of the contractual agreement in place, the Council is required to compensate the contractor for the loss of one year's profits for the early termination. The accounts include the accrual of the Council's calculated loss of contractor profit but remain in negotiation with the then contractor over a final settlement figure. Any settlement over and above that accrued for would be met by a further draw down of funding from the Delivery Fund rather than impact on revenue reserves, as the early termination delivered ongoing savings over and above the cost of early termination.

The Council is in negotiation with one of its wholly-owned group companies regarding taking over its historic pension deficit liability subject to contractual agreements being put in place that would require future deficit recovery payments that would then be borne by the Council being recompensed by equivalent revenue payments from the company to the Council. Such an agreement would leave the Council in no worse an overall revenue position (after appropriate statutory adjustments through the Movement in Reserves Statement) but would see the Council's pension deficit reported in the Balance Sheet increase by around £10m.

Note 45 - 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 two contractors in relation to the management and delivery of specific capital projects. Discussions and negotiations are ongoing but at this stage the outcome and level of any compensation payments are unable to be reliably quantified.

Housing Revenue Account Income and Expenditure Statement

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.

31 March 2018		31 March 2019
£000		£000
Expenditure		
9,246	Repairs & Maintenance	9,334
8,627	Supervision & Management	8,652
147	Rents, Rates, Taxes and other charges	259
6,441	Depreciation, impairments and revaluation losses of non-current assets	7,906
68	Debt Management Costs	65
(116)	Other	(30)
24,413	Total Expenditure	26,187
Income		
(35,322)	Dwelling rents	(34,832)
(673)	Non-dwelling rents	-
(3,997)	PFI credit	(3,997)
(1,250)	Charges for services and facilities	(1,238)
(181)	Other	(224)
(41,423)	Total Income	(40,292)
(17,011)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(14,105)
743	HRA Services Share of Corporate & Democratic Core	77
(16,268)	Net Expenditure of HRA Services	(14,028)
(1,146)	(Gains)/loss on sale of HRA Fixed Assets	(1,701)
8,024	Interest Payable and Similar Charges	7,050
(97)	HRA Interest and Investment Income	(205)
769	Net interest on the defined benefit liability/asset	744
(8,717)	(Surplus) or Deficit for Year on HRA Services	(8,140)

Movement on the HRA Statement

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:

31 March 2018 £000	Movement on the HRA Statement	31 March 2019 £000
(24,033)	Balance on the HRA at the end of the previous year	(26,853)
(8,717)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(8,140)
5,780	Adjustments between accounting basis and funding basis under statute	810
(2,937)	Net (increase) or decrease before transfers to or from reserves	(7,330)
117	Transfer to/(from) reserves	307
(2,820)	(Increase) or decrease on the HRA for the year	(7,023)
(26,853)	Balance on the HRA at the end of the current year	(33,876)
(9,441)	Earmarked reserves – PFI smoothing reserve	(9,748)
(36,294)	Total HRA reserves	(43,624)

31 March 2018 £000	Adjustment between accounting basis	31 March 2019 £000
(1,936)	Transfers to/(from) the Capital Adjustment Account	(7,277)
1,146	Gain or (loss) on sale of non-current assets	1,701
(1,449)	Contributions to or (from) the Pension Reserve	(1,401)
37	Transfers to/(from) the Accumulated Absences Account	(33)
7,982	Transfers to/(from) Major Repairs Reserve	7,820
-	Capital expenditure funded by the HRA	-
5,780	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	810

Notes to the HRA Account

Note 1 - Analysis of Council Housing Stock

At 31st March 2019, the Council was responsible for managing a housing stock of 6,775 dwellings, including 1,280 within the North Whitley PFI scheme (31st March 2018: 6,778 dwellings, 1,280 in the PFI scheme). These dwellings are of the following types:

31 March 2018		31 March 2019	
2,883	Flats	2,888	
3,895	Houses	3,887	
6,778	Total number of dwellings	6,775	

Note 2 - Housing Revenue Account Capital Expenditure

During 2018/19, the Council incurred £9.0m capital expenditure on land, houses and other properties within the HRA (2017/18: £7.3m). The detail of expenditure and the methods of financing are detailed below:

31 March 2018 £000		31 March 2019 £000	
Capital investment			
7,264	Operational assets	8,975	
55	Revenue Expenditure funded from Capital under Statute	-	
7,319	Total capital investment	8,975	
Sources of funding			
(454)	Borrowing	(1,103)	
(156)	Capital Receipts	(469)	
(6,654)	Major Repairs Reserve	(7,403)	
-	Government grants and other contributions	-	
(55)	Direct Revenue Financing	-	
(7,319)	Total funding	(8,975)	

Note 3 - Balance Sheet Value of HRA Operational Assets

31 March 2018			31 March 2019	
£000			£000	
496,576	Council Dwellings		551,052	
10,937	Other Land and Buildings		3,450	
6,722	Infrastructure and Community Assets		13,227	
652	Assets Under Construction		828	
514,886	Total		568,558	

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 £1.670 (£1,504m at 31 March 2018). 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% (33% in 2017/18).

Note 4 - Depreciation and Impairment

31 March 2018			31 March 2019		
Depreciation	Impairment		Depreciation	Impairment	
£000	£000		£000	£000	
(7,982)	1,992	Council Dwellings	(7,820)	-	
(228)	-	Other Land and Buildings	(243)	-	
-	-	Surplus Assets	(5)	-	
(8,209)	1,992	Total	8,069	-	

Note 5 - Transactions relating to Retirement Benefits

31 March 2018		31 March 2019
£000		£000
714	Current Service Cost	675
82	Past Service Costs	13
(132)	(Gain)/loss from settlements	(50)
16	Administration expenses	20
769	Net interest expense	743
1,449	Total charged to Comprehensive Income and Expenditure Statement	1,401
1,449	Movement on Pension Reserve	1,401

Applying IAS 19 to the Housing Revenue Account (HRA) has no overall effect on the HRA balance as the debit to the Income and Expenditure Account is reversed out by an appropriation from the Pensions Reserve in the Statement of Movement of HRA Balances.

Note 6 - Total Capital Receipts Generated during the year

31 March 2018		31 March 2019
£000		£000
(2,560)	Council Houses	(3,642)
-	Other Property	-
(2,560)	Total	(3,642)

During the year, the Council disposed of 19 dwellings to tenants under the Right to Buy scheme. These disposals, along with non Right to buy sales (2), generated total capital receipts of £3,642, of which £1.421m was paid to Central Government as the Council's contribution to the Central Housing Pool. £7.75m of HRA capital receipts was held by the Council as at 31st March 2019 available to be used on replacement housing.

Note 7 - Rent Arrears and Bad Debt Provision

31 March 2018		31 March 2019
£000	Arrears by Tenant	£000
485	Current Tenants	651
318	Former Tenants	345
803	Total Arrears	996

The specific provision for the possible non-collection of all rent related charges at 31 March 2019 is £0.7m, which represents 73% of the total outstanding arrears. The calculation assesses the potential for future impairment based on an analysis of arrears with and without arrangements with current and former tenants. These are then further analysed on an age outstanding basis and provisions made on established percentages, relating to the age of debt outstanding.

Collection Fund

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.

31 March 2018			31 March 2019			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
INCOME:						
	(92,729)	(92,729)	Council Tax Receivable		(101,089)	(101,089)
(125,993)		(125,993)	Business Rates Receivable	(134,285)		(134,285)
(4,675)	-	(4,675)	Transitional Protection Payments Receivable	(1,263)	-	(1,263)
	14	14	Reconciliation adjustments		2	2
(130,668)	(92,715)	(223,383)	Total amounts to be credited	(135,548)	(101,087)	(236,635)
EXPENDITURE:						
Apportionment of Previous Year Surplus/Deficit:						
900	-	900	Central Government	4,680	-	4,680
882	800	1,682	Reading Borough Council	4,586	-	4,586
18	35	53	Royal Berkshire Fire Authority	94	-	94
-	94	94	Thames Valley Police	-	-	-
Precepts, demands and shares:						
62,000		62,000	Central Government	-		-
60,760	80,000	140,760	Reading Borough Council	128,700	86,663	215,363
1,240	3,354	4,594	Royal Berkshire Fire Authority	1,300	3,530	4,830
-	9,139	9,139	Thames Valley Police	-	9,998	9,998
Charges to Collection Fund:						
-	(534)	(534)	Write-offs of uncollectable amounts	-	(466)	(466)
1,385	975	2,360	Increase/(decrease) in allowance for impairment	(217)	1,500	1,283
1,400		1,400	Increase/(decrease) in allowance for appeals	(4,837)		(4,837)
-		-	Transitional Protection Payments Payable	-		-
283		283	Charge to General Fund for allowable collection costs for non-domestic rates	282		282
128,868	93,863	222,731	Total amounts to be debited	134,588	101,225	235,813
(1,800)	1,148	(652)	(Surplus)/Deficit arising during the year	(960)	138	(821)
(4,000)	(1,354)	(5,354)	(Surplus)/Deficit on the Collection Fund at 1 April	(5,800)	(205)	(6,005)
(5,800)	(206)	(6,006)	(Surplus)/Deficit on the Collection Fund at 31 March	(6,759)	(67)	(6,826)

(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:

31 March 2018				31 March 2019		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
(2,900)	-	(2,900)	Central Government	1,818	-	1,818
(2,842)	(178)	(3,020)	Reading Borough Council	(8,510)	(56)	(8,566)
(58)	(7)	(65)	Royal Berkshire Fire Authority	(68)	(2)	(70)
-	(21)	(21)	Thames Valley Police	-	(9)	(9)
(5,800)	(206)	(6,006)	Total	(6,759)	(67)	(6,826)

Notes to the Collection Fund

Business 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.

2017/18	Non-domestic rateable value and multipliers	2018/19
£314,251,028	Non-domestic rateable value at 31 March	£317,273,358
47.9p	Business rate multiplier - standard rate	49.3p
46.6p	Business rate multiplier - small businesses	48.0p

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 taxbase (adjusted to reflect relevant discounts and exemptions) was approved by Full Council in January 2018, and is summarised in the table below,

2017/18

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of
		no of dwellings No		dwellings No
A	Upto and including - 40,000	5,096	6/9	3,397
B	40,001 - 52,000	12,071	7/9	9,389
C	52,001 - 68,000	25,710	8/9	22,853
D	68,001 - 88,000	9,617	9/9	9,617
E	88,001 - 120,000	5,035	11/9	6,153
F	120,001 - 160,000	3,061	13/9	4,422
G	160,001 - 320,000	1,740	15/9	2,900
H	More than - 320,001	59	18/9	119
		62,389		58,850
			Adjustment	(5,179)
			Council tax base	53,671

2018/19

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of
		no of dwellings No		dwellings No
A	Upto and including - 40,000	6,533	6/9	4,355
B	40,001 - 52,000	14,134	7/9	10,933
C	52,001 - 68,000	28,756	8/9	25,561
D	68,001 - 88,000	10,833	9/9	10,833
E	88,001 - 120,000	5,434	11/9	6,642
F	120,001 - 160,000	3,277	13/9	4,733
G	160,001 - 320,000	1,843	15/9	3,072
H	More than - 320,001	83	18/9	166
		70,843		66,405
			Adjustment	(11,555)
			Council tax base	54,850

Group Accounts

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'. Six wholly owned organisations have been identified as needing to be consolidated within the Group:

- Reading Transport Limited (RTL);
- Homes for Reading (HfR);
- Brighter Futures for Children (BFfC)
- 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). 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 2019 which equated to £490 (31 March 2018 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.

HfR was established in April 2016 as a wholly owned subsidiary, to provide quality rented housing in the Greater Reading area and help alleviate local housing need for both market and sub market tenants. HfR acquire and let both freehold and leasehold properties ranging from street properties (individual, multiple or a block) through to new build properties under construction. The aim is to achieve an optimum mix of market rent lettings and sub market rent lettings across its property portfolio so that it can satisfy its social obligations whilst remaining a commercially viable entity.

BFfC was established on 5 April 2018 to deliver Children's Social Care Services, Education, Special Education and Disabilities, School Support Services and Early Help. It began trading on 3 December 2018. The overall objective is to deliver the best possible opportunities for the children of Reading.

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.

Financial Performance

The activities and performance of each of the subsidiaries and the RHPP joint venture during the year 2018/19 is set out below:

- RTL: As at 31st March 2019, net assets excluding the Pension Liability were £15.07m (£13.19m in 2017/18).
- HfR: As at 31st March 2019, net assets were £9.24m (£3.09m in 2017/18).
- BFfC: As at 31st March 2019, net liabilities of £0.17m.
- REDCO: The group's net assets were £nil (as at 31st March 2018 £nil); in 2018/19 the company broke even (2017/18: broke even).
- RHPP: At 31 March 2019 net assets were £1,000 (£1,000 in 2017/18).

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

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 Comprehensive Income and Expenditure Statement**, which brings together the Comprehensive Income and Expenditure Statement produced by the Council and the Profit and Loss Statements produced by Reading Transport Limited, Homes for Reading and Brighter Futures for Children.

The **Group Movement in Reserves Statement**, which combines the in-year movements of the financial reserves of the Council, with those of the Group entities, providing the overall change in the Council's total reverses.

The **Group Balance Sheet**, which recognises the year end position for all the group entities.

The **Group Cashflow Statement**, which consolidates the cashflow statements for the Council, HfR, BFfC and RTL only, as REDCo has no cashflows, and RHPP is accounted on the equity basis.

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, HfR and BfC produce their 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, HfR and BfC accounts to see if there is a material difference between their 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 type	Depreciation basis
Buildings	2% - 4% straight line
Plant and Machinery	10% - 20% straight line
Buses	6 ² / ₃ % - 33% straight line
Other Vehicles	9 ¹ / ₂ % - 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 2018/19 for RTL is £3.5m (2017/18: £2.9m).

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. Accordingly, the group accounts were amended to comply with the Code. On the same basis, the grant income was subsequently reversed from the General Fund to the Capital Adjustment Account through the Movement in Reserves Statement.

Group Comprehensive Income and Expenditure Statement

2017/18			2018/19			
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
65,648	(26,668)	38,980	Adult Care and Health Services	69,301	(27,840)	41,461
112,610	(93,113)	19,497	Corporate Support Services	93,745	(74,024)	19,721
157,316	(106,975)	50,341	Children, Education and Early Help Services	185,213	(151,422)	33,791
83,122	(43,180)	39,942	Environment and Neighbourhood Services	100,085	(44,412)	55,673
34,088	(29,931)	4,157	Transport Services	40,077	(36,579)	3,498
248	(242)	6	Housing Services	339	(765)	(426)
			Childrens Services	9,187	(48)	9,139
25,156	(41,423)	(16,267)	Housing Revenue Account	26,265	(40,292)	(14,027)
477,920	(341,532)	136,388	Cost of Services	524,213	(375,382)	148,830
		1,717	Other Operating Expenditure			(1,476)
		28,388	Financing and Investment Income and Expenditure			20,511
		(158,969)	Taxation and Non Specific Grant Income			(175,148)
		7,524	(Surplus) or Deficit on Provision of Services			(7,283)
		122	Tax - Corporation tax payable/(receivable)			(21)
		7,646	Group (Surplus) or Deficit on Provision of Services			(7,304)
		(676)	Valuation (gains)/losses in Fair Value of investments			(232)
		(16,602)	(Surplus)/deficit on revaluation of non current assets			(61,258)
		(33,748)	Actuarial gains/(losses) on pension assets/liabilities			(10,349)
		513	Deferred Tax on Pension Liability (RTL)			861
		(50,513)	Other Comprehensive Income and Expenditure			(70,979)
		(42,867)	Total Comprehensive Income and Expenditure			(78,282)

Group Movement in Reserves Statement 2017/18

	General Fund and P&L Balances £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	2,036	(8,386)	(6,350)	(24,033)	(9,324)	(33,357)	(20,718)	-	(8,711)	(69,136)	(110,403)	(179,539)
Movement in reserves during 2017/18												
(Surplus) or deficit on the provision of services	15,836		15,836	(8,717)		(8,717)			7,119			7,119
Other Comprehensive Income / Expenditure											(49,986)	(49,986)
Total Comprehensive Income and Expenditure	15,836		15,836	(8,717)	-	(8,717)			7,119	(49,986)	(42,867)	
Adjustments between group accounts and authority accounts	292	7	299						299	(299)		-
Adjustments between accounting basis and funding basis under regulations	(31,831)		(31,831)	5,780		5,780	(2,755)	(1,327)	(6,276)	(36,409)	36,409	-
Net Increase or Decrease before Transfers to Earmarked Reserves	(15,703)	7	(15,696)	(2,937)	-	(2,937)	(2,755)	(1,327)	(6,276)	(28,991)	(13,876)	(42,867)
Transfers to / from Earmarked Reserves	15,566	(15,566)	-	117	(117)	-						
Increase or Decrease in 2017/18	(137)	(15,559)	(15,696)	(2,280)	(117)	(2,937)	(2,755)	(1,327)	(6,276)	(28,991)	(13,876)	(42,867)
Balance at 31 March 2018	1,899	(23,945)	(22,046)	(26,853)	(9,441)	(36,294)	(23,473)	(1,327)	(14,987)	(98,127)	(124,279)	(222,406)

Group Movement in Reserves Statement

2018/19

	General Fund and P&L Balances £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	1,899	(23,945)	(22,046)	(26,853)	(9,441)	(36,294)	(23,473)	(1,327)	(14,987)	(98,127)	(124,279)	(222,406)
Movement in reserves during 2018/19												
(Surplus) or deficit on the provision of services	836		836	(8,140)		(8,140)				(7,304)		(7,304)
Other Comprehensive Income / Expenditure											(70,978)	(70,978)
Total Comprehensive Income and Expenditure	836		836	(8,140)		(8,140)				(7,304)	(70,978)	(78,282)
Adjustments between group accounts and authority accounts	719		719							719	(719)	-
Adjustments between accounting basis and funding basis under regulations	(11,342)		(11,342)	810		810	14,802	(417)	(1,909)	1,944	(1,944)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	(9,787)		(9,787)	(7,330)		(7,330)	14,802	(417)	(1,909)	(4,641)	(73,641)	(78,282)
Transfers to / from Earmarked Reserves	9,642	(9,642)	-	307	(307)							
Increase or Decrease in 2018/19	(145)	(9,642)	(9,787)	(7,023)	(307)	(7,330)	14,802	(417)	(1,909)	(4,641)	(73,641)	(78,282)
Balance at 31 March 2019	1,754	(33,587)	(31,833)	(33,876)	(9,748)	(43,624)	(8,671)	(1,744)	(16,896)	(102,768)	(197,920)	(300,688)

Group Balance Sheet

31 March 2018 (Restated for HfR)	Note	31 March 2019
£000		£000
1,064,746	Property, Plant and Equipment	1,134,123
2,313	Heritage Assets	2,691
47,636	Investment Property	71,043
1,654	Intangible Assets	1,413
11,510	Long-Term Investments	17,481
11,980	Long-Term Debtors	554
1,139,839	Long Term Assets	1,227,305
50	Assets Held for Sale	-
597	Inventories	725
48,203	Short-Term Debtors	73,943
33,536	Cash and Cash Equivalents	44,617
82,386	Current Assets	119,285
(91,537)	Short-Term Borrowing	(47,690)
(68,583)	Short-Term Creditors	(84,842)
(19,906)	Short-Term Provisions	(12,760)
(1,265)	Deferred Income	(815)
(23,093)	Grants Receipts in Advance - Capital	(33,787)
(204,384)	Current Liabilities	(179,894)
(1,226)	Long-Term Provisions	(1,471)
(288,207)	Long-Term Borrowing	(349,129)
(464,188)	Liability relating to defined benefit pension scheme	(473,464)
(41,814)	Other Long-Term Liabilities	(41,944)
(795,435)	Long Term Liabilities	(866,008)
222,406	Net Assets	300,688
(98,127)	Usable Reserves	(102,768)
(124,279)	Unusable Reserves	(197,920)
(222,406)	Total Reserves	(300,688)

Group Cash Flow Statement

2017/18		Note	2018/19
£000			£000
7,646	Net (surplus) or deficit on the provision of services		(7,303)
(45,634)	Adjustment to surplus or deficit on the provision of services for non-cash movements	7	(48,852)
36,309	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	7	25,717
(1,679)	Net cash flows from operating activities		(30,438)
28,238	Net cash flows from investing activities	8	50,700
(34,661)	Net cash flows from financing activities	9	(31,343)
(8,102)	Net (increase) or decrease in cash and cash equivalents		(11,081)
(25,434)	Cash and cash equivalents at the beginning of the reporting period		(33,536)
(33,536)	Cash and cash equivalents at the end of the reporting period		(44,617)

Notes to the Group Accounts

Note 1 - 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	31 March	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 31 March 2019 by the external valuer Sanderson Weatherall LLP, undertaken under the direction of Ian Vivian, MRICS. Surplus assets and Investment properties are valued annually at 31 March.

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.

Property, Plant and Equipment 2017/18

Movements to 31 March 2018

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2017	503,399	381,467	65,581	282,332	12,378	27,116	1,936	1,274,209
Adjustments to cost/value & depreciation/impairment	3,389	-	-	-	-	-	-	3,389
Additions	7,263	8,688	7,746	9,760	266	82	5,112	38,917
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,007)	13,284	(418)	-	-	7,732	-	16,591
Derecognition – disposals	(1,421)	(463)	(19)	-	-	(9,820)	-	(11,723)
Reclassifications and transfer	(4,065)	(6,080)	(875)	-	-	4,756	(326)	(6,590)
Other movements in cost or valuation	(7,982)	-	-	-	-	-	-	(7,982)
at 31 March 2018*	496,576	396,897	72,015	292,092	12,644	29,866	6,722	1,306,811
Accumulated Depreciation and Impairment								
at 1 April 2017	934	(70,917)	(33,326)	(126,382)	(75)	(578)	-	(230,342)
Adjustments to cost/value & depreciation/impairment	(3,389)	-	-	-	-	-	-	(3,389)
Depreciation charge	(7,982)	(8,872)	(2,392)	(17,913)	-	-	-	(37,159)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	1,992	15,525	5	-	-	(2,246)	-	15,276
Derecognition – disposals	7	126	3	-	-	-	-	136
Reclassifications and transfers	455	3,649	1,328	-	-	-	-	5,432
Other movements in depreciation and impairment	7,982	-	-	-	-	-	-	7,982
at 31 March 2018	-	(60,490)	(34,381)	(144,295)	(75)	(2,824)	-	(242,065)
Net Book Value								
at 31 March 2017	504,332	310,550	32,255	155,950	12,303	26,538	1,936	1,043,865
at 31 March 2018	496,576	336,407	37,634	147,797	12,569	27,042	6,722	1,064,746

*An adjustment has been made for reclassification between Assets Under Construction(AUC) and Vehicles, Plant, Furniture & Equipment(VPE), which has decreased AUC and increased VPE with no impact to the total value of Property, Plant and Equipment.

Property, Plant and Equipment 2018/19

Movements to 31 March 2019

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2018	496,576	396,897	72,015	292,092	12,644	29,866	6,722	1,306,811
Additions	8,975	8,092	4,057	4,805	150	563	12,605	39,247
Revaluation increases/(decreases) recognised in the Revaluation Reserve	53,659	6,861	-	-	-	723	-	61,243
Derecognition – disposals	(1,870)	(1,188)	(982)	-	-	-	-	(4,040)
Reclassifications and transfer	1,533	(1,454)	-	-	-	1,454	(1,533)	-
Other movements in cost or valuation	(7,820)	-	-	-	-	-	-	(7,820)
at 31 March 2019	551,053	409,208	75,090	296,897	12,794	32,606	17,794	1,395,441
Accumulated Depreciation and Impairment								
at 1 April 2018	-	(60,490)	(34,381)	(144,295)	(75)	(2,824)	-	(242,065)
Depreciation charge	(7,820)	(9,526)	(3,322)	(14,815)	-	(95)	-	(35,578)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	7,984	-	(565)	-	7	-	7,426
Derecognition – disposals	-	203	876	-	-	-	-	1,079
Reclassifications and transfers	-	140	-	-	-	(140)	-	-
Other movements in depreciation and impairment	7,820	-	-	-	-	-	-	7,820
at 31 March 2019	-	(61,689)	(36,827)	(159,675)	(75)	(3,052)	-	(261,318)
Net Book Value								
at 31 March 2018	496,576	336,407	37,634	147,797	12,569	27,042	6,722	1,064,746
at 31 March 2019	551,053	347,519	38,263	137,222	12,719	29,554	17,794	1,134,123

Note 2 - Investment Properties

31 March 2018		31 March 2019
£000	Investment Property Income and Expenditure	£000
(2,264)	Rental income from investment property	(4,398)
	- Direct operating expenses from investment property	-
	- Other income and expenditure	-
(2,264)	Net (gain)/loss	(4,398)

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The above items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

31 March 2018		31 March 2019
Non-Current £000	Investment Properties Movements in Year	Non-Current £000
25,910	Opening Balance	47,636
27,341	Purchases	23,444
-	Disposals	(173)
(5,615)	Net gains/losses from fair value adjustments	135
47,636	Balance at the end of the year	71,042

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with Finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters. The table above summarises the movement in the fair value of investment properties over the year.

Note 3 - Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased licenses. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority.

31 March 2018		31 March 2019
£000	Intangible Assets	£000
395	Opening balance	1,654
1,061	Additions	662
(961)	Depreciation	(813)
1,158	Transfers	-
-	Disposal	(90)
1,654	Closing balance	1,413

Note 4 - Debtors

Short Term Debtors

The outstanding debtors due within one year recognised by the Group at the 31st March 2019, net of impairments for bad debts, were:

31 March 2018		31 March 2019
£000		£000
5,693	Central Government Bodies	22,864
1,647	Other Local Authorities	1,748
413	NHS Bodies	283
40,450	Other Entities and Individuals	49,048
48,203	Total Debtors	73,943

Note 5 - Cash and Cash Equivalents

31 March 2018		31 March 2019
£000		£000
33,536	Cash and Bank balances	44,617
33,536	Total Cash and Cash Equivalents	44,617

Note 6 - Creditors

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

31 March 2018		31 March 2019
£000		£000
(13,088)	Central Government Bodies	(10,905)
(1,560)	Other Local Authorities	(6,811)
(385)	NHS Bodies	(506)
(53,550)	Other Entities and Individuals	(66,620)
(68,583)	Total Creditors	(84,842)

Note 7 - Cash Flow from Operating Activities

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

The cash flows for operating activities include the following items:

31 March 2018		31 March 2019
£000		£000
(1,814)	Interest received	(1,387)
14,410	Interest paid	14,654
12,596	Total	13,267

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2018		31 March 2019
£000		£000
(39,023)	Depreciation	(37,217)
15,049	Impairment and downward valuations	5,366
(860)	Amortisation	(539)
-	(Increase)/decrease in impairment for bad debts	
5,946	(Increase)/decrease in creditors	(21,321)
18,725	Increase/(decrease) in debtors	17,474
14	Increase/(decrease) in inventories	127
(28,769)	Movement in pension liability	(19,774)
(12,771)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,098)
(3,945)	Other non-cash movements charged to the surplus or deficit on provision of services	11,130
(45,634)	Total	(48,852)

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2018		31 March 2019
£000		£000
11,126	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,738
25,183	Any other items for which the cash effects are investing or financing cash flows	20,979
36,309	Total	25,717

Note 8 - Cash Flow from Investing Activities

31 March 2018		31 March 2019
£000		£000
66,932	Purchase of property, plant and equipment, investment property and intangible assets	62,108
2,743	Purchase of short-term and long-term investments	11,412
9,519	Other payments for investing activities	19,271
(11,165)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,500)
(39,791)	Other receipts from investing activities	(40,591)
28,238	Net cash flows from investing activities	50,700

Note 9 - Cash Flow from Financing Activities

31 March 2018		31 March 2019
£000		£000
(129,600)	Cash receipts of short-term and long-term borrowing	(208,071)
4,115	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	4,079
97,257	Repayments of short-term and long-term borrowing	176,707
(6,433)	Other payments for financing activities	(4,058)
(34,661)	Net cash flows from financing activities	(31,343)

Note 10 - Pensions Cost

The pension disclosures have been based on the actuary reports as at 31 March 2019.

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 2016). 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.

Pension costs for BFfC employees are covered by a pension related asset held by Reading Borough Council, being the guarantee to cover all pension costs.

Transactions relating to post-employment benefits

i. Impact on Comprehensive Income & Expenditure Account

2017/18				2018/19			
RBC Funded £'000	RTL Funded £'000	Unfunded £'000	GROUP £'000	RBC Funded £'000	RTL Funded £'000	Unfunded £'000	GROUP £'000
Comprehensive Income and Expenditure Statement							
Cost of Services							
				Service cost comprising:			
26,472	1,700	-	28,172	25,500	1,315	-	26,815
7,156		-	7,156	179		-	179
-		-	-	-			
(1,913)		-	(1,913)	(675)		-	(675)
234	9	-	243	276	9	-	285
				Other Operating Expenditure:			
				Financing and Investment			
				Income and Expenditure			
12,128	444	-	12,572	11,125	3,078	-	14,203
44,077	2,153	-	46,230	36,405	4,402	-	40,807
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement							
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
				Re-measurement of the net defined benefit liability comprising:			
(6,450)	154	-	(6,296)	(5,173)	(4,995)		(10,168)
-	(1,899)	-	(1,899)	(49,786)	-	(98)	(49,884)
(26,349)	(575)	91	(26,833)	42,906	4,706		47,612
-	1,280	-	1,280	-	-		
(32,799)	(1,040)	91	(33,748)	(12,053)	(289)	(98)	(12,440)
Total charged to Other Comprehensive Income and Expenditure Statement							
11,278	1,113	91	12,482	24,352	4,113	(98)	(28,367)
Total charged to the Comprehensive Income and Expenditure Statement							

2017/18				2018/19			
RBC Funded	RTL Funded	Unfunded	GROUP	RBC Funded	RTL Funded	Unfunded	GROUP
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(44,077)	(2,153)	-	(46,230)	(36,405)	(4,402)	-	(40,807)
14,957	2,009	-	16,966	15,571	2,033	-	17,604
-		878	878	-		833	833

ii. Reconciliation between the fair value of assets and liabilities and the balance sheet liability

2017/18				2018/19			
RBC Funded	RTL Funded	Unfunded	GROUP	RBC Funded	RTL Funded	Unfunded	GROUP
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(831,308)	(90,466)	(11,214)	(932,988)	(856,428)	(98,350)	(10,292)	(965,070)
396,033	73,171	395	469,599	412,373	79,233	-	491,606
(435,275)	(17,295)	(10,819)	(463,389)	(444,055)	(19,117)	(10,292)	(473,464)

iii. Reconciliation of the Present Value of the Scheme Liabilities

2017/18				2018/19			
RBC Funded	RTL Funded	Unfunded	GROUP	RBC Funded	RTL Funded	Unfunded	GROUP
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(815,967)	(90,838)	(12,001)	(918,806)	(831,307)	(90,828)	(11,242)	(933,377)
(26,472)	(1,700)	-	(24,772)	(25,500)	(1,315)	-	(26,815)
(22,708)	(2,030)	-	(20,678)	(21,239)	(3,748)	-	(24,987)
(4,512)		-	(4,512)	(4,469)		-	(4,469)
-	1,899	-	(1,899)	49,786		-	49,786
26,349	575	(91)	25,683	(42,906)		98	(42,808)
-	(1,280)	(28)	1,252	-	(4,688)	(28)	(4,716)
(7,156)		-	(7,156)	(179)		-	(179)
16,651	2,546	878	14,983	18,007	2,298	833	21,138
2,507		-	2,507	1,379		-	1,379
(831,308)	(90,828)	(11,242)	(933,398)	(856,428)	(98,281)	(10,292)	(965,048)

iv. Reconciliation of the Movement of the fair value of the Plan Assets

2017/18				Movement in the Value of Scheme Assets	2018/19			
RBC Funded £'000	RTL Funded £'000	Unfunded £'000	GROUP £'000		RBC Funded £'000	RTL Funded £'000	Unfunded £'000	GROUP £'000
377,013	72,252	2,689	451,954	Opening fair value of scheme assets	396,033	73,171	2,689	471,893
10,580	1,586	-	12,166	Interest income	10,114	670	-	10,784
				Re-measurement gain / (loss):	-		-	
6,450	(154)	-	6,296	- The return on plan assets, excluding the amount included in the net interest expense	5,173	4,995		10,168
-	(9)	-	(9)	Other gains / (losses)	-	790	-	790
14,957	2,009	878	17,844	Contributions from employer	15,571	2,033	833	18,437
4,512	61	-	4,573	Contributions from employees into the scheme	4,469	64		4,533
(16,651)	(2,574)	(878)	(20,103)	Benefits / transfers paid	(18,007)	(2,490)	(833)	(21,330)
(234)		-	(234)	Administration expenses	(704)			(704)
(594)		-	(594)	Assets Extinguished on Settlement	(276)		-	(276)
396,033	73,171	2,689	471,893	Closing value of scheme assets	412,373	79,233	2,689	494,295

Basis for estimating assets and liabilities

v. Principal Assumptions

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

Financial assumptions	%
Discount rate	2.4
Expected rates of return on plan assets:	2.4
Future salary increases	2.5
Future pension increases - pre 1997*	3.2
Future pension increases - 1997-2006*	3.5
Future pension increases	2.5
Inflation assumption (RPI)	3.5
CPI Increases	2.5

vi. Scheme Assets

RBC 2017/18 £'000	RTL 2017/18 £'000	GROUP 2017/18 £'000		RBC 2018/19 £'000	RTL 2018/19 £'000	GROUP 2018/19 £'000
184,147	21,913	206,060	Equities	221,471	23,802	245,273
58,266	13,451	71,717	Other Bonds	56,899	13,987	70,886
53,506	6,178	59,684	Property	58,235	6,833	65,068
64,324	30,221	94,545	Cash	33,926	32,687	66,613
15,819	646	16,465	Target Return Portfolio	19,772	806	20,578
6,995	263	7,258	Commodities	3,205	118	3,323
25,405	767	26,172	Infrastructure	39,426	1,460	40,886
(12,429)	(268)	(12,697)	Longevity insurance	(20,560)	(460)	(21,020)
396,033	73,171	469,204	Total	412,374	79,233	491,607

Glossary

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current;

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

The definition of related parties in IPSAS 20. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The CIPFA Code of Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.