Statement of Accounts 2017-18

Reading Borough Council

Working better with you

Contents

Narrative Foreword

Reading is the largest town in the County of Berkshire. Reading Borough Council is a unitary authority whose administrative boundary covers most of the urban area of Reading. It is situated in the Thames Valley, approximately 40 miles west of London.

Evidence of a settlement here dates back to the 8th century. Reading Abbey was founded by Henry I in 1121 and on completion the Abbey was the fourth largest church in Britain. Following the dissolution of the monasteries under Henry VIII, the Abbot's accommodation was converted into royal lodgings and members of the royal family sporadically stayed at the Abbey up until the seventeenth century.

Reading's strategic position between London and Oxford on the rivers Thames and Kennet led to it being a flash point in the English Civil War, with Charles I based in the town for almost a month before he moved to Oxford and Parliamentary supporters laying siege to the town in 1643.

Reading expanded rapidly throughout the industrial revolution, becoming known for its 'beer, biscuits and bulbs'. Today it is home to leading edge information communication technology (ICT) companies and is one of the largest insurance and business service centres in the country.

More details about the history of the Borough can be found on the Reading Museum website.

The success of the Borough and its urban nature has however, brought its own problems, with pressure on infrastructure, communities and the environment. The high cost of living and, in particular, the high cost of housing, have had a significant impact on local communities. Although Reading can undoubtedly demonstrate success and wealth, the town also contains several wards which are amongst some of the most deprived in the country.

The town offers a wealth of cultural, sporting and leisure opportunities including over 100 parks and open spaces. Every year the town hosts the Reading Festival, one of the country's major music events. Reading Arts run The Hexagon Theatre which regularly features on national tours, as well as the South Street venue and the Concert Hall.

Reading is home to approximately 163,000 people living in 66,000 households.

Reading Borough Council – Our priorities, aims and achievements

Reading Borough Council works hard to improve daily life for residents and commuters alike. Performance is monitored against the corporate priorities, with more formal quarterly reporting to the Council's Policy Committee introduced from 2018/19. The first quarter's Performance Monitoring Report gives details of the 2017/18 performance a summary of which is provided below:

Securing the Economic Success of Reading
• 86% of people used sustainable modes of transport • 79.6% of people were economically active • 98% of households has superfast broadband
Ensuring access to decent housing to meet local needs
• 700 additional homes completed in the year • 66 additional affordable homes delivered • 371 cases of positive action in preventing homelessness • 232 homeless or “at risk” households assisted to secure private rented accommodation.
Protecting & enhancing the lives of vulnerable Adults & Children
• 16% of service users receiving direct payments • 560 permanent new admissions to residential or nursing care per 100,000 population for older people (65+) • 12.1 permanent new admissions to residential or nursing care per 100,000 population for younger people (18-64) • 1,800 families receiving early partnership support preventing the need for statutory intervention
Keeping Readings Environment clean, green and safe
• 30.47% of household waste sent for re-use, recycling and composting • 97% satisfaction with Anti-Social Behaviour case handling
Promoting great education, leisure and cultural opportunities for people in Reading
• 528 Secondary School Fixed Term exclusions • 2.1% of young people Not in Education, Employment or Training (NEET) • 89% of schools rated good or outstanding
Ensuring our Council is fit for the future
• 88% customer satisfaction with our front of house service • 48,639 people signed up for an online account • 96.6% of Council Tax collected within the year • 96.28% of Business Rates collected within the year

The Council has worked closely with the Department for Education following an Ofsted inspection in 2016 which recommended a separate company should be set up to deliver all Children, Education and Early Help services in Reading, including Special Educational Needs and Disabilities (SEND). Brighter Futures for Children Limited was formally incorporated on 5 April 2018 and Deborah Jenkins MBE was appointed as Chair of the Board. The company formally started trading on 3 December 2018.

The Corporate Plan explains how the Council will deliver its priorities over the next three years. Despite the challenges brought about by funding reductions and a growing population, the Council is determined to make a positive difference to people’s lives.

Reading Borough Council’s aspiration is: to ensure that Reading realises its potential and that everyone who lives and works here can share the benefits of its success. Working in partnership across the borough Councillors, Council staff, residents, local businesses, wider public sector bodies and voluntary organisations acting as one team: Team Reading we can achieve this. That’s why the Council’s corporate brand is Working Better With You.

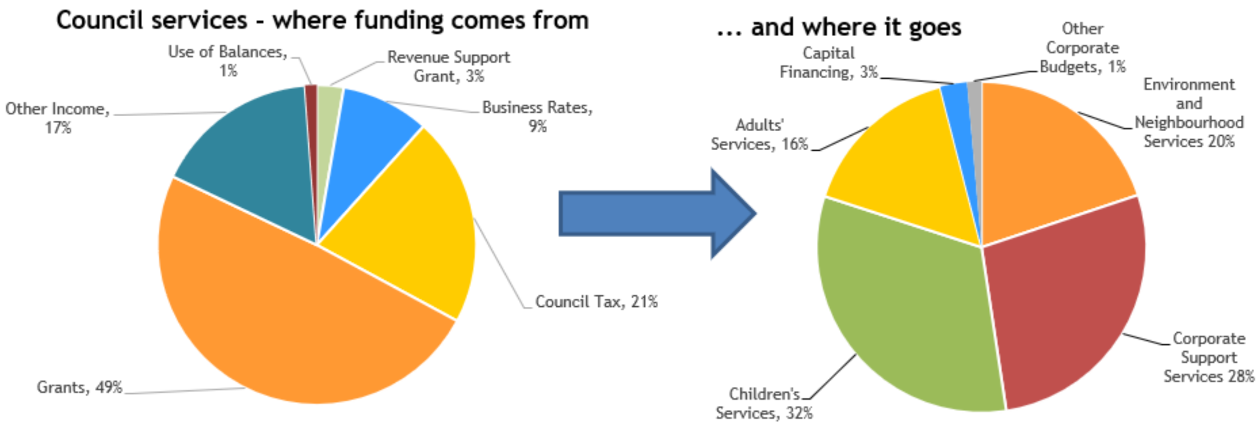
Service Budgets

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 2017/18 was set in February 2017 at £125.3m. The budget assumed use of reserves of £11.1m, savings of £20.7m and a contingency budget of £7.7m. A revised budget was presented to the Policy Committee in July 2017, which incorporated achieved savings into the base budget, identified further savings to be achieved of £13m, provided a one-off net implementation budget of £2.4m and revised the use of reserves figure down to £6.8m.

The Band D Council Tax was set at £1,490.56 for 2017/18, an increase of 4.99%.

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 money is spent on staff costs and payments for supplies and services, as shown below:



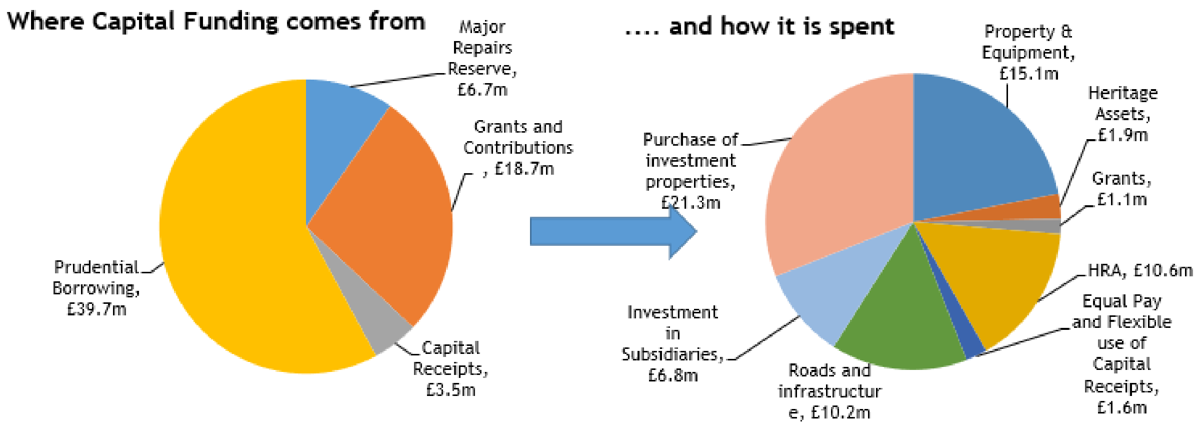
Capital Investment

The Council recognises the importance of investing in the future and spent £69m on capital investment during 2017/18. Projects were funded by a combination of Government grant, 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:

- Construction of Green Park Crossrail station and the South MRT bus link
- Purchase of investment properties (Kennet Wharf), generating income to fund Council services
- Provision of affordable housing to rent

We will focus on progressing these projects, and the schools expansion programme, during 2018/19.



Risk Management

Good risk management and effective budgetary control are essential to ensure that the Council delivers its priorities within the budgets set. Failure to keep within the approved budget framework was identified as a key corporate risk for 2017/18 with arrangements put in place as follows:

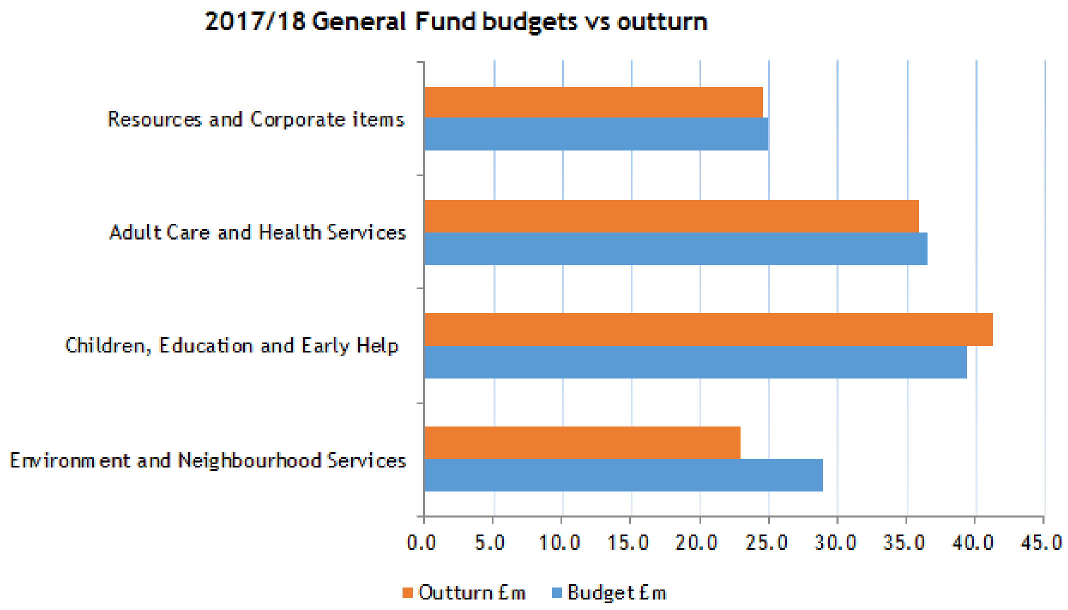
- Fortnightly review of delivery against budget by the Corporate Management Team
- Quarterly review by members: the Audit and Governance Committee in terms of risk management process and the Policy Committee in terms of outcomes achieved.

Finance staff have worked hard to support this process by ensuring that all decision making is supported by accurate and up to date financial information.

Financial Performance 2017/18

General Fund services

In 2016/17 the Council experienced rapidly escalating and significant overspends throughout the year. Spending for 2017/18 was better managed; with a £5.0m underspend against the budget. This was due in part to the successful delivery of over 90% of savings planned and the Adult Social Care Directorate underspending against budget.



Contrary to the budgeted position, contributions were made to reserves during the year, largely due to the delivery of savings and the management of cost pressures as well as the re-evaluation of the availability of capital receipts to fund equal pay costs.

General Fund balances increased to £7.0m as at 31st March 2018, the level considered necessary to cover contingencies.

However demand for both adults and childrens' care services remains a concern. Detailed modelling of demographic trends and case reviews has been combined with earlier intervention and improved commissioning to manage pressure on these budgets more effectively.

The Housing Revenue Account

The Housing Revenue Account (HRA) is a ring-fenced account for the Council's "landlord" function in respect of the letting and management of its 6,800 units of social housing. 2017/18 saw a net underspend against budget of £4.3m as a result of:

- slippage on planned repairs and maintenance projects
- continued improvements in rent collection and arrears recovery.

	2017/18 budget £m	2017/18 actual £m	Variance £m
Expenditure	41.7	38.6	(3.1)
Income	(40.2)	(41.4)	(1.2)
	1.5	(2.8)	(4.3)
HRA balances brought forward		(24.0)	
HRA balances carried forward		(26.8)	

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 Balance Sheet includes investments in limited companies and joint ventures. Its two principal interests are Reading Transport Limited (RTL), and Homes for Reading (HfR). Both are wholly owned subsidiaries of the Council. Most recent audited accounts for RTL report a profit after tax, whilst HfR report a loss as shown below:

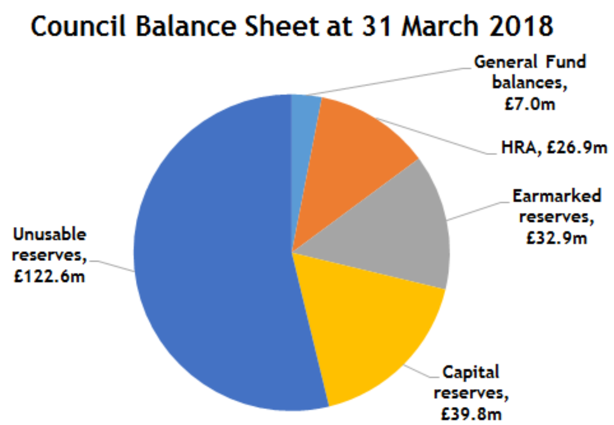
	RTL Year ended 24/09/17 £000	HfR Year ended 31/03/18 £000
Turnover	33,964	33
Profit/(Loss) after tax	74	(492)

The Council's Group Accounts are included at the end of this document starting at page 118.

The Balance Sheet

The Balance Sheet is a position statement as at the 31st March (the end of the Financial year). It shows what the Council owns (assets) and what it owes to others (liabilities).

Useable reserves and balances have been built up over time and can be used to fund future service costs or capital expenditure. Unusable balances cannot be used and relate primarily to statutory accounting adjustments for capital transactions and pensions.



Represented by:	31-Mar-18 £m
Non-current assets	1,116.3
Net current liabilities	(123.7)
Long term liabilities and provisions	(763.4)
Net assets	229.2

Treasury Management

The treasury management function, ensures 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 £10m. Cash, loans and investments at the year- end are shown below:

31-Mar-17 £m		31-Mar-18 £m
4.4	Investments in limited companies	7.1
14.2	Long term investment - property fund	14.9
22.1	Cash balances	29.8
40.7	**Investments and Cash**	**51.8**
(351.0)	**Short and Long term Borrowing**	**(379.7)**

All investments and borrowing is undertaken in line with the Treasury Management Strategy approved by Full Council each year. The current strategy is to maximise the benefits of historically low interest rates whilst seeking out appropriate investment opportunities outside the banking sector. Further details of the Strategy for 2017/18, approved as a part of the Budget report, can be accessed via the Council's website.

Pensions

Accounting Standards require future pension liabilities to be recognised on the Balance Sheet of employing bodies rather than in the Pension Fund's accounts. There is a net pension liability on the Balance Sheet of £446.5m (2016/17: £450.9m), matched by a pensions reserve.

This relates to staff membership of the Local Government Pension Scheme, administered on Reading's behalf by the Berkshire Pension Fund.

The Council's Accounts reflect all financial implications arising from a prepayment of an element of its pension fund contributions, comprising principally of a single prepayment of 3 years deficit contributions totaling £16.5m which was made in 2017/18.

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, liabilities mainly relate to service concession contracts for waste collection and social housing, as well as provisions for Business Rates appeals, insurance and equal pay claims

Looking Ahead

A balanced Medium Term Financial Plan and 2018/19 budget was agreed by Council in February 2018 which identifies Savings of £7.3m, £8.3m and £7.2 for 2018/19, 2019/20 and 2020/21 respectively. The Council is taking robust steps to improve its longer term financial position including:

- Using procurement and market testing to identify savings;
- Developing more commercial and cost effective models of service delivery;
- Reducing services not seen as a priority for local people; and
- Proactively tracking delivery against plan.

The Council reopened Reading Abbey in 2018 and promoted the Abbey Quarter, including Reading Museum and the Town Hall as a visitor attraction. In late 2019 Transport for London plan to commence services from Reading in preparation for the new Elizabeth Line which will eventually take passengers from Reading direct to central London and Canary Wharf without needing to change trains.

A Guide to the Financial Statements

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

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 and 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** – is a disclosure note which reconciles the full cost of providing services with the amounts funded by taxation.

The **Housing Revenue Account (HRA) -** accounts for the Council's "landlord" function in respect of its social housing.

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 the Council has put in place to ensure effective corporate governance and management its affairs.

Annual Governance Statement

As at July 2019

SCOPE OF RESPONSIBILITY

Reading Borough Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for, and
- resources are used economically, efficiently and effectively.

The Council also has a duty to:

- make arrangements to secure continuous improvement in the way in which its functions are exercised
- put in place proper arrangements for the governance of its affairs, and
- implement and maintain effective processes of internal control, including appropriate arrangements to manage risk.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, cultures and values which underpin how the Council is controlled and managed internally, and how it engages with taxpayers, service users and the wider community. This framework enables the Council to monitor delivery of its strategic objectives and assess whether those objectives are securing service improvements and value for money.

Systems of internal control and risk management are a significant part of the governance framework and are designed to manage risk down to a reasonable level. Some risks can never be eliminated entirely, however, and these processes provide only reasonable and not absolute assurance of effectiveness.

THE GOVERNANCE FRAMEWORK AT READING

Since 2013 the Council has operated a committee-based system of governance with four standing committees broadly aligned to the Council's departmental structure. Their remit includes obtaining assurance that Corporate Plan priorities, and the Budget and Policy Framework approved by Full Council each year, is delivered in their relevant areas. There are no separate scrutiny committees or call in provisions however:

- the Standards Committee investigates specific allegations of misconduct, and
- the Audit and Governance Committee is tasked with reviewing and considering improvements to corporate governance in general.

The Council's governance arrangements are designed to secure compliance with the principles set out in the *"CIPFA[1]/SOLACE[2] Framework for Delivering Good Governance in Local Authorities"* [3](updated 2016), as described below.

Behaving with integrity
Codes of Conduct set out expected standards of behaviour for officers and elected members and the standards committee investigates any allegations of non-compliance. 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.
Ensuring openness
The Council consults regularly with stakeholders, taxpayers and service users. Consultation has been undertaken in respect of 83 separate topics over the past 2 years, 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.
Defining sustainable outcomes
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.
Achieving intended outcomes
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. The Projected Outturn reports to Policy Committee summarise the financial position to date against budget and delivery of agreed savings targets. Key performance indicators are reviewed by the Corporate Management Team.
Developing capacity
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. The Learning and Workforce Development Team has a specific role and remit to improve the capability and capacity of Council officers by offering a range of skills and qualification based training opportunities.
Managing risks
The Strategic Risk Register provide 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 have a

[1] Chartered Institute of Public Finance and Accountancy
[2] Society of Local Authority Chief Executives.
[3] Also referred to as "the Framework", see CIPFA website www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition

programme of work designed to assess how this framework operates in practice and report to the Audit and Governance Committee.
Transparency and 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 has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework and systems of internal control. This review is informed by:

- Letters of Representation from Executive Directors and the Chief Executive
- work carried out by the Standards and Audit and Governance Committees,
- Internal Audit reports
- recommendations made by external auditors and inspectorates
- Risk register updates, and
- action taken in response to the previous year's review.

Letters of Representation

Executive Directors and the Chief Executive have completed annual assurance statements in respect of governance and internal control arrangements for their respective areas. This process identified:

- One breach of procurement regulations - staff have been reminded of the need to use the approved contractors' list when sourcing low value building and electrical work below OJEU thresholds
- The need to review and update HR Policies – this work has commenced and is ongoing.
- The implementation of audit recommendations, was not robust enough throughout 2017/2018 and actions did not always lead to matters being "satisfactory" when next audited – as a consequence a 'recommendation tracker' report has been introduced and reports progress with all outstanding high and medium risk recommendations to each meeting of the Audit and Governance Committee.
- Satisfactory audit trails (evidence to support the accounts) were not consistently applied during the first six months of 2017/2018 – significant work has been undertaken to improve this going forward and work continues to improve accounting practices.
- Staff receiving an annual appraisal had fallen during 2017/2018. This has subsequently improved in 2018/19.
- One member of staff was prosecuted for theft of cash at a sports centre (£10k).
- Successful prosecution of a carer for the fraudulent use of direct payments fraud (£60k)

As indicated above, these reviews have also identified improvements to governance arrangements and internal control during the year, namely:

- New procedures for journal approvals and for bank reconciliations.
- Updating and re-launching Codes of Conduct.

- Restructuring the Finance Service, with updated job descriptions, new posts and new appointments.
- Introduction of a new anti-money laundering policy for the Council.
- Reviewed and updated Procurement Rules – training and drop in sessions were provided for staff by the Corporate Procurement Team as part of the comms plan.
- Commenced a review of HR Policies. The first 7 have been agreed with the Unions and training for managers has been launched. Negotiation is underway on the next tranche and a timetable has been agreed for completing the review of residual policies by the March 2020.
- New Asset Register Software is being implemented which will be used to complete the 18/19 accounts and will significantly stream-line the Council's capital accounting arrangements.
- An 'audit recommendation tracker' report has been introduced for the Audit & Governance Committee to raise the profile of and put increased focus on the importance of implementing audit recommendations with managers.
- iTrent, a Midland HR software package was relaunched on the 1 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 savings and projects.
- Reviewing the Business Models of two of the Council's wholly owned companies and agreeing actions.
- Completing the restructures of HR to increase resilience and capability.
- Resourcing an annual verification process to verify eligibility for Single person discount, thereby reducing loss of Ctax.
- Facilitating the launch of Brighter Futures for Children a wholly owned company of the Council to improve outcomes and reduce the cost of children's services.

Standards and Audit and Governance Committees

The Audit and Governance Committee met five times during 2017/18. Its key tasks were to:

- approve Internal Audit's work plan and consider their reports and recommendations
- receive external audit reports and consider audit recommendations
- approve the Council's year- end financial statements
- review Strategic Risk Register updates and mitigating actions in place to address the key risks identified
- review the Council's Annual Governance Statement and action plans
- review in-year outturn and treasury management reports

There were no allegations of member misconduct during 2017/18 for the Standards Committee to consider.

Internal Audit

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 Chief Auditor has confirmed that his team met relevant professional standards throughout 2017/18 and completed 29 audits. A further 7 audits had fieldwork completed at 31 March 2018 but with reports to be finalised. 90 audit recommendations have been made, of which 14 (16%) 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. The Chief Auditor has concluded that only Limited Assurance can be placed on the Council's internal control framework for 2017/18, largely because of weaknesses in key financial systems, as set out below:

- Bank Reconciliations - Bank account reconciliation had not been kept up to date throughout the year and some unreconciled items still needed to be cleared.
- Accounts receivable - services are not always raising invoices promptly or providing sufficient detail on invoices which in turn affects collection performance.
- Accounts Payable - audit work in 2016/2017 identified inefficient processes and highlighted that the accounts payable function was not managing its supplier database effectively. Although there is a comprehensive action plan in place a number of recommendations remain outstanding.
- Journal Vouchers – significant efforts have been made to improve the quality of audit trail in relation to journal adjustments, however these improvements only commenced part way through the year and so the issues highlighted in 2016/17 still applied to a large number of journals posted prior to October 2017.

Internal Audit work has also highlighted that although key performance indicators are reported monthly to Directorate and Corporate Management Teams, only financial performance is reported to elected members via the Policy and Audit and Governance Committees. Since there is no separate scrutiny function in place, Internal Audit recommends that key performance indicators should also be reported to the relevant standing committee for review. This has been addressed in 2018/19.

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 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.

Other Inspection Work

Children's Services were rated "inadequate" by Ofsted in June 2016. A Commissioner was appointed and an Improvement Board with an independent Chair was put in place. Regular monitoring visits by Ofsted throughout 2017 acknowledged that the Council was making good progress in some areas but concluded that insufficient progress was being made in respect of safeguarding and child protection work.

A limited company structure has therefore 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 is now responsible for delivering Children's Social Care, Early Help, Fostering and Education services across the Borough.

Risk Register updates

Current “red risks” on the Strategic Risk Register are summarised below together with the mitigating actions in place to manage those risks:

Risk Identified	Mitigating actions in place
The Medium Term Financial Strategy has identified that £40m of savings are required over the next three years. This magnitude of savings will be difficult to deliver but achieving a sustainable financial position is essential.	Robust monitoring arrangements are in place to track delivery of savings and budget pressures Savings are being managed by 8 Corporate Programme Boards These more robust monitoring arrangements have enabled the Council to drawdown less on reserves than previously budgeted for in 2017/18 and to begin to rebuild. Delivery Fund allocations are being aligned to savings plans to ensure capacity and ability to deliver efficiencies.
Information created, accessed, handled, stored, protected and destroyed by the Council is not managed in compliance with legislation or local policies.	Data Protection Training is now mandatory for all staff. Project team is now established and working towards GDPR compliance so as to avoid large penalties and fines.
Appropriate governance procedures are in place but are not always being followed	Induction programme to cover key governance policies Re-launch Code of Conduct Ensure all Internal Audit recommendations are followed up to improve systems of internal control Risk management training for all budget managers, Heads of Service & Directors
Failure of major contracts will impact on service delivery	All providers are required to have a business continuity plan in place Key contracts are monitored on a regular basis to identify capacity or performance issues Financial assessment of all major contract providers is undertaken to confirm going concern
Insufficient investment in infrastructure will lead to a decline in economic growth and prosperity in the sub-region.	Options for the re-development of the Reading Prison site, town centre and Minster Quarter are being worked on. Continue to develop a comprehensive network of sustainable travel choices, such as Park and Ride, cycling and walking routes. Secure funding for a 3rd Thames Bridge at East Reading (joint project with neighbouring local Authorities).
Action is required to reduce the risk of injury or death from fire in high rise accommodation, following the Grenfell Tower incident.	An external review of safety measures in place in high rise blocks has made a number of recommendations requiring capital investment of £6-7m over the next 5 years. Work has commenced in 2018/19 to address these.
Delivery of Corporate Plan depends on success of key partner relationships	Reading 2050 vision sets out a shared view of key priorities for the future Key partnership arrangements are being strengthened ie the Community Safety Partnership, Local Enterprise Partnership, Cultural Partnership and Cultural Education Partnership One Public Estate Partnership has been established to oversee and implement shared property ambitions

Risk of death harm or injury to vulnerable persons for whom we have a responsibility	A monthly rolling 20% audit of adults safeguarding cases each month has been implemented. A Service Improvement Plan is in place for Children's Services Regular Ofsted visits ascertain quality of safeguarding service to vulnerable children Centralised case management system to ensure timely response to children being exploited or at risk

Follow up of issues identified in 2016/17

The table below sets out progress made against key issues identified in the 2016/17 Annual Governance Action Plan:

Issue identified	Progress to date
Prepare and agree a robust and deliverable Medium Term Financial Strategy (MTFS)	Revised MTFS approved July 2017 and improved budget management in 2nd half of 2017/18. The implementation of more robust budget setting and monitoring arrangements has enabled the Council to draw down less on reserves than originally budgeted in 2017/18 and begin to rebuild general reserves in 2018/19.
Prepare and deliver a robust monitoring programme to ensure that savings identified are delivered	A robust savings monitoring regime is now in place, overseen by the Corporate Programme Delivery Group. Progress against the plan is regularly reported to members.
Ensure that action plans in place for Children's Services are implemented.	New structures and key personnel are now in place but need to deliver. Some OFSTED recommendations have been addressed, other remain work in progress. A children's company (Brighter Futures for Children) has been established and became operational in December 2018. DfE have supported the establishment of the company (wholly owned by the Council) with financial support for set-up costs and £5m to assist with transformational change over a two year period in addition to the Council's own investment in change through the Delivery Fund
Put in place a robust regime for the reconciliation of control accounts on an ongoing basis	This remains work in progress – some improvements have been made but the external auditors recommendation that all financial systems are reconciled to the General Ledger each month, is still not yet being achieved.
Improve the financial culture of the Council	Training for budget holders has taken place together with restructuring and new appointments in the Finance Services.

Reduce reliance on agency and interim staff	Reliance and spend on agency staff has decreased, from a peak of £7m pa in August 18 to £5.2m pa in June 19, we expect this trend to continue. Contributing factors include; increased control and scrutiny through a new hire approval process involving both HR, the Chief Executive and regular reviews of current assignments. A dedicated internal Resourcing Team went live in Jan 19 as part of an increased focus on permanent recruitment, modernising our recruitment approach, resulting in increased applicant numbers (+80%) and fill rate (+20%) whilst reducing time to hire for our permanent vacancies (-27%).
Implement High Priority recommendations from Internal Audit's 2016/17 reports	Issues still to be addressed on financial systems and data protection as noted above. Other recommendations have now largely been addressed.
Develop a clear and consistent procedure for advising staff on declaration of interests, gifts and hospitality	Web-based training has been carried out and each Directorate is now responsible for updating their own register.
Ensure the Corporate Management Team (CMT) is fully sighted on operational performance and key performance indicators	New meeting arrangements were put in place from 1/8/17. This includes new directorate steering groups and Directorate performance reports are now a standing agenda item on CMT meetings.

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:

JN Brock

……………………………………… Jason Brock, Leader of the Council

Peter Sl

…………………………………………Peter Sloman, Chief Executive

Independent Auditors Report to the Members of Reading Borough Council and Group

Qualified opinion

We have audited the financial statements of Reading Borough Council and Group for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Reading Borough Council and Group Movement in Reserves Statement;
- Reading Borough Council and Group Comprehensive Income and Expenditure Statement;
- Reading Borough Council and Group Balance Sheet;
- Reading Borough Council and Group Cash Flow Statement;
- Related Notes 1 to 45;
- Related Group Notes 1 to 8;
- Housing Revenue Account Income and Expenditure Statement;
- Movement on the Housing Revenue Account Statement;
- Housing Revenue Account Related Notes 1 to 7
- Collection Fund; and,
- Related notes to the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of Reading Borough Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for qualified opinion

We have not been able to obtain sufficient appropriate audit evidence because management were unable to provide adequate supporting documentation in relation to the following areas: short-term creditors opening and closing balances of £66.9 m and £62.1 m for the Council and £71.2 m and £68.1 m for the Group; short-term debtors opening balances of £23.3 m for the Council and £27.5 m for the Group; and the following lines that make up the cost of services part of the comprehensive income and expenditure statement; Corporate Support Services, income, £93.1 m for the Council and Group; Environment and Neighbourhood Services, income, £43.5 m and expenditure, £89.9 m for the Council, and £43.2 m income and £85.2 m expenditure for the Group.

In addition, as a result of a change in auditor of the Berkshire Pension Fund, we were unable to obtain sufficient appropriate audit evidence about the IAS19 pension liability of £446.5m for the Council and £464.2 m for the Group, employer costs of £15.9 m for the Council and £17.0 m for the Group, and actuarial adjustments of £32.7 m for the Council and £33.7 m for the Group.

Consequently, we were unable to determine whether any adjustment to these amounts was necessary. Our audit opinion on the financial statements for the year ended 31 March 2017 was also modified for these same areas as management were unable to provide adequate supporting documentation.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter – Impact of Covid-19

We draw attention to Note 1 and Note 6 of the Statement of Accounts which describes the financial and operational consequences Reading Borough Council and Group is facing as a result of COVID-19 and the additional cost pressures that this presents. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Narrative Report set out on pages 3 to 10, other than the financial statements and our auditor's report thereon. The Executive Director of Resources is responsible for the other information.

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

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

As described in the basis for qualified opinion section of our report, our audit opinion is qualified because we were unable to satisfy ourselves concerning short-term creditors opening and closing balances of £66.9 m and £62.1 m for the Council and £71.2 m and £68.1 m for the Group; short-term debtors opening balances of £23.3 m for the Council and £27.5 m for the Group; and the following lines that make up the cost of services part of the comprehensive income and expenditure statement; Corporate Support Services, income, £93.1 m for the Council and Group; Environment and Neighbourhood Services, income, £43.5 m and expenditure, £89.9 m for the Council and £43.2 m income and £85.2 m expenditure for the Group.

In addition, as a result of a change in auditor of the Berkshire Pension Fund, we were unable to obtain sufficient appropriate audit evidence about the IAS19 pension liability of £446.5m for the Council and £464.2 m for the Group, employer costs of £15.9 m for the Council and £17.0 m for the Group, and actuarial adjustments of £32.7 m for the Council and £33.7 m for the Group.

Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

Basis for Adverse Conclusion

Informed decision making:

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

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

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

We found that the financial reporting was not reliable or consistent throughout 2017/18.

Whilst we have noted improvements in this area the arrangements were not embedded throughout the 2017/18 financial year.

- Maintaining a sound system of internal control

We found that some of the basic financial controls were not working as expected, for example, the regular completion of reconciliations is not timely, the year-end bank reconciliation did not balance and there were no control procedures over the production or posting of journals during financial year 2017/18. This increases the risk of fraud and errors remaining undetected. In order to get our assurance, we took a substantive approach to our audit and therefore did not rely on controls.

Sustainable resource deployment and Working with Partners and Third Parties

- Children's Services

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

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

The Council accepted the findings of the Inspection and put in place procedures to improve performance. Ofsted have monitored progress since the issue of its initial report and in its update letter, issued in June 2017 concluded that the Council was not making the expected progress in improving services for its children and young people. Subsequent Ofsted reports throughout June and November 2017 and March 2018 continued to highlight concerns over the lack of consistency of both the improvements required and also of the services offered during the year.

Section 24 recommendations

We issued recommendations under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014 in February 2017. The Council have developed an action plan to monitor progress against the recommendations. We have reviewed the actions taken and concluded that whilst the Council have a challenge on both the financial position and strengthening their controls and processes, there are signs of improvement:

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

However, deficiencies in the systems of internal control were still in place during 2017/18 and therefore this is evidence of weakness in arrangements in sustainable resource deployment.

Qualified conclusion - Adverse

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are not satisfied that, in all significant respects, Reading Borough Council and Group put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act.

We have nothing to report in these respects

Responsibility of the Executive Director of Resources

As explained more fully in the Statement of the Executive Director of Resources Responsibilities set out on page 25, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Reading Borough Council and Group had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Reading Borough Council and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Certificate

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

Use of our report

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

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
30 October 2020

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 2017/18, the Chief Financial Officer was the Interim Director of Finance up to 25 March 2018 and the Director of Resources thereafter.
- 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 prior to the issue of the audit opinion and 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:

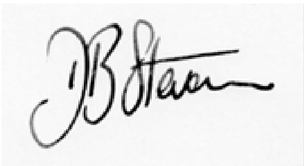
- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

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.

<u>Approval of the Accounts</u>

This Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.



Jacqueline Yates	Councillor David Stevens
Executive Director of Resources	Chair of the Audit & Governance Committee
30 October 2020	30 October 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.

2016/17				2017/18		
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
67,919	(23,688)	44,231	Adult Care and Health Services	65,648	(26,668)	38,980
111,699	(94,621)	17,078	Corporate Support Services	113,034	(93,113)	19,921
168,096	(105,371)	62,725	Children, Education and Early Help Services	157,172	(106,796)	50,376
133,732	(41,234)	92,498	Environment and Neighbourhood Services	89,877	(43,482)	46,395
11,223	(41,673)	(30,450)	Housing Revenue Account	25,156	(41,423)	(16,267)
492,669	**(306,587)**	**186,082**	**Cost of Services**	**450,887**	**(311,482)**	**139,405**
		5,368	Other Operating Expenditure (Note 10)			(912)
		24,700	Financing and Investment Income and Expenditure (Note 11)			25,454
		(155,076)	Taxation and Non Specific Grant Income (Note 12)			(158,613)
		61,074	**(Surplus) or Deficit on Provision of Services**			**5,334**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		648	Valuation (gains)/losses in Fair Value of investments			(676)
		(57,882)	(Surplus)/deficit on revaluation of non current assets			(15,222)
		101,269	Actuarial gains/(losses) on pension assets/liabilities			(32,708)
		44,035	**Other Comprehensive Income and Expenditure**			**(48,606)**
		105,109	**Total Comprehensive Income and Expenditure**			**(43,272)**

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.

2016/17	**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 2016	(9,048)	(22,362)	(31,410)	(21,956)	(9,100)	(31,056)	(18,885)	-	(9,223)	**(90,574)**	(200,778)	**(291,352)**
Movement in reserves during 2016/17												
(Surplus) or deficit on the provision of services	84,123		84,123	(23,048)		(23,048)		**-**		**61,075**	-	**61,075**
Other Comprehensive Income / Expenditure											44,035	**44,035**
Total Comprehensive Income and Expenditure	**84,123**		**84,123**	**(23,048)**		**(23,048)**		**-**		**61,075**	**44,035**	**105,110**
Adjustments between accounting basis and funding basis under regulations	(67,156)		(67,156)	20,747		20,747	(1,833)	-	512	**(47,730)**	47,730	**-**
Net Increase or Decrease before Transfers to Earmarked Reserves	**16,967**		**16,967**	**(2,301)**		**(2,301)**	**(1,833)**	**-**	**512**	**13,345**	**91,765**	**105,110**
Transfers to / from Earmarked Reserves	(14,419)	14,419		224	(224)							-
Increase or Decrease in 2016/17	**2,548**	**14,419**	**16,967**	**(2,077)**	**(224)**	**(2,301)**	**(1,833)**	**-**	**512**	**13,345**	**91,765**	**105,110**
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 Statement

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)**
Restated Balance at 31 March 2017	(6,500)	(7,943)	(14,443)	(24,033)	(9,324)	(33,357)	(20,718)	-	(9,415)	**(77,933)**	(108,310)	**(186,243)**
Movement in reserves during 2017/18												
(Surplus) or deficit on the provision of services	14,051		14,051	(8,717)		(8,717)				**5,334**		**5,334**
Other Comprehensive Income / Expenditure											(48,606)	**(48,606)**
Total Comprehensive Income and Expenditure	**14,051**		**14,051**	**(8,717)**		**(8,717)**				**5,334**	**(48,606)**	**(43,272)**
Adjustments between accounting basis and funding basis under regulations	(30,246)		(30,246)	5,780		5,780	(2,755)	(1,327)	(5,573)	**(34,121)**	34,121	
Net Increase or Decrease before Transfers to Earmarked Reserves	**(16,195)**		**(16,195)**	**(2,937)**		**(2,937)**	**(2,755)**	**(1,327)**	**(5,573)**	**(28,787)**	**(14,485)**	**(43,272)**
Transfers to / from Earmarked Reserves	15,695	(15,695)		117	(117)							
Increase or Decrease in 2017/18	**(500)**	**(15,695)**	**(16,195)**	**(2,820)**	**(117)**	**(2,937)**	**(2,755)**	**(1,327)**	**(5,574)**	**(28,787)**	**(14,485)**	**(43,272)**
Balance at 31 March 2018	**(7,000)**	**(23,638)**	**(30,638)**	**(26,853)**	**(9,441)**	**(36,294)**	**(23,473)**	**(1,327)**	**(14,987)**	**(106,719)**	**(122,795)**	**(229,514)**

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 are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves Statements 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 2017		Note	31 March 2018
£000			**£000**
1,013,740	Property, Plant and Equipment	14	1,029,795
1,113	Heritage Assets	15	2,313
25,910	Investment Property	16	43,444
1,272	Intangible Assets	17	1,369
18,617	Long-Term Investments	18	22,027
8,996	Long-Term Debtors	21	17,538
1,069,648	**Long Term Assets**		**1,116,486**
440	Assets Held for Sale		50
254	Inventories		231
23,286	Short-Term Debtors	21	44,534
22,146	Cash and Cash Equivalents	22	29,835
46,126	**Current Assets**		**74,650**
(62,667)	Short-Term Borrowing	18	(81,408)
(66,936)	Short-Term Creditors	23	(62,109)
(7,479)	Short-Term Provisions	24	(19,906)
	Deferred Income		(1,265)
(9,632)	Grants Receipts in Advance - Capital	37	(23,450)
(146,714)	**Current Liabilities**		**(188,138)**
(14,320)	Long-Term Provisions	24	(490)
(288,291)	Long-Term Borrowing	18	(298,336)
(450,964)	Liability relating to defined benefit pension scheme	43	(446,498)
(29,242)	PFI Long-Term Liabilities and Deferred Income	41	(28,160)
(782,817)	**Long Term Liabilities**		**(773,484)**
186,243	**Net Assets**		**229,514**
(77,229)	Usable Reserves	25	(106,719)
(109,014)	Unusable Reserves	26	(122,795)
(186,243)	**Total Reserves**		**(229,514)**

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.

2016/17 £000		Note	2017/18 £000
61,074	Net (surplus) or deficit on the provision of services		5,334
(105,699)	Adjustment to surplus or deficit on the provision of services for non-cash movements		(39,012)
32,737	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities		35,370
(11,888)	**Net cash flows from operating activities**		**1,692**
34,600	Net cash flows from investing activities	28	21,148
(36,534)	Net cash flows from financing activities	29	(30,529)
(13,822)	**Net (increase) or decrease in cash and cash equivalents**		**(7,689)**
(8,324)	Cash and cash equivalents at the beginning of the reporting period		(22,146)
(22,146)	**Cash and cash equivalents at the end of the reporting period**		**(29,835)**

Note 1 - Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position as at the 31 March 2018.

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 2017/18 (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.
- 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 2017/18 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 authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits 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 in 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 return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. Contributions paid to the Royal County of Berkshire pension fund are not accounted for as an expense

Past service costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

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.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council 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 2018.

However, the bonds issued by the authority in 2017/18 are carried at a lower amortised cost than the outstanding principal and interest is charged at a marginally higher effective rate of interest than the rate payable to bondholders, as a material amount of costs incurred in its issue is being financed over the life of the stock.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. [In Scotland the statutory guidance may restrict an authority's ability to adopt this approach.] The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. [Additional policy detail required where an authority has entered into financial guarantees or has financial liabilities at fair value through profit or loss (such as derivatives).]

Financial Assets

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income
and Expenditure Statement when it becomes receivable by the authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:
- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the
Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

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.

A Business Improvement District (BID) scheme applies across the whole of the authority. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges [for this authority21] may be used to fund revenue 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. 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 those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance, however 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.

x. Leases

<u>Council as Lessor</u>

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 Deferred 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.

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income

Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

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)
Council Offices	Current value, determined as the amount that would be paid for the asset in its existing use.
School Buildings	Current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
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.

<u>Impairment</u>

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.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised

<u>Depreciation</u>

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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.

The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment (or set aside to reduce the authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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.

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

<u>Provisions</u>

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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg 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 authority settles the obligation.

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 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 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 authority – these reserves are explained in the relevant policies.

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.

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.

Going Concern

The Council's Statement of Accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the CIPFA Code of Practice on Local Authority Accounting therefore assume that a local authority's services will continue to operate for the foreseeable future.

The current restrictions in place within the United Kingdom in response to COVID-19 have created significant issues for many businesses and residents and as a result from April 2020, the Council has experienced financial pressures in terms of lost income lost and additional expenditure incurred. The government has provided some financial support for Local Authorities to help mitigate some of the pressures being experienced due to the crisis. The Council has received a total of £9.775 million in general support funding from Central Government in this regard.

In recent years the Council's reserves have increased to ensure financial robustness and sustainability. Our most recent reported balances, which are currently unaudited, are as follows:

Date	**General Fund Balance (£m)**	**Earmarked Reserves (£m)**	**Housing Revenue Account Balance (£m)**
31 March 2017	(6.500)	(7.943)	(33.357)
31 March 2018	(7.000)	(23.508)	(36.294)
31 March 2019	(7.500)	(33.150)	(43.624)
31 March 2020 (provisional outturn)	(7.500)	(38.081)	(45.365)

The Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2019/20, 2020/21 and beyond. This included consideration of the following:

- Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).
- Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact on the Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.
- The impact on the Council's subsidiaries and joint ventures.
- The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at June 2020 the Council has around £30 million short term investments), impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves.

The Council manages its cashflow to ensure that it has a reasonable amount of liquid cash that can be accessed readily. The Council aims to have at least £10m invested in overnight money market funds and short-term deposit accounts in this respect, and the average daily balance was £17m in the 6 months to 30th September 2020. The Council was allocated a total of £53.591 million of additional section 31 grants in respect of additional business rate reliefs applied as a result of COVID-19. These grant payments along the announcement by Government that Central share payments of Business Rates can be deferred significantly reduced any liquidity risk that the Council may otherwise have faced. The Council is able to borrow short term from other Local authorities if required and has access to longer term borrowing from the PWLB within two working days if required. The Council is significantly under-borrowed compared to its Capital Financing Requirement and would therefore be able to borrow should any cashflow issues arise.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council, as it will for all local authorities. To reflect this, the Council will publish an update to its Medium-Term Financial Strategy in December 2020.

We recognise that there remains a large degree of uncertainty over how long lockdown arrangements will remain, the extent to which the economy is impacted and subsequently the speed and scale of the recovery. This will clearly have an impact on the assumptions that sit behind the financial modelling and will therefore be monitored on an ongoing basis and revised as appropriate.

In terms of the Council's Group Accounts, Covid-19 has had a significant short-term impact on the turnover and income of Reading Transport Limited, a wholly owned company of Reading Borough Council. It is currently too early to tell what the medium and longer-term impact will be. However, the Company has accessed all the government support mechanisms available to it and is working with the Council to review options to ensure that they can continue to deliver public transport sustainably for the foreseeable future.

Based on the Council's assessment at the end of Quarter One of 2020/21, the net total impact of COVID-19 on the General Fund in 2020/21 is currently estimated to be a reduction of £5.527 million. This is assuming no extra funding not already announced from central Government but does include an estimated £6.000 million in respect of the local government income compensation scheme for lost sales, fees and charges, no re-prioritisation of services or alternative service provision. By way of context, the General Fund balance as at 31 March 2020 is £45.581 million (subject to year-end adjustments and audit), which consists of General Fund balance of £7.500 million and Earmarked Reserves of £38.081m.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

Note 2 - Accounting Standards Issued, Not Adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 9 Financial Instruments - the standard introduces changes to the classification and measurement of financial assets, and impairment for financial assets. The impact will be to reclassify assets currently classified as available for sale assets into either amortised cost (fair value through profit or loss) or fair value through other comprehensive income. The Council does not expect these changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. In relation to the impairment changes, the impairment charge will be immaterial for treasury management assets (ie bank deposits and short term investments with other local authorities), the council already makes a provision for doubtful debts on its service related assets (ie trade receivables) and other long term assets are mainly capital in nature and so any impairment will not have an impact on the general fund balance.

IFRS 15 Revenue Contracts with Customers – this standard presents new requirements for the recognition of revenue, based on a control based revenue recognition model. The majority of the material revenue streams of the council are outside the scope of this standard as other existing standards apply (ie leases, council tax, business rates) and therefore the council does not expect this change to have a material impact on the financial statements although additional disclosures may be required.

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 is involved with two NHS bodies, and hosts material expenditure in relation to these. "Hosting" is defined to mean that all expenditure on these schemes are included within the accounts together with funding income from partners, not just the Council's share. Non material amounts relating to this arrangement are therefore included within the Council's accounts.

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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

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

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

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

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £15.7m.

Arrears
At 31 March 2018, the authority had a balance of sundry debtors of £5.185m. A review of significant balances suggested that an impairment of doubtful debts of £1.061m was appropriate.

If collection rates were to deteriorate, a 1% increase in the value of impairments for doubtful debts would require an additional £52,000 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 £92,000.

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 2018 was £11.95m, which is shared between the Council, Central Government and the Fire Authority. The Council's share of this provision is 49%, a total of £5.86m.

The provision at 31 March 2018 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 £58,600.

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:

- £9.0m (£9.0m 2016/17) to RE3 Ltd for waste collection and disposal under the waste collection service concession
- £6.5m (£6.5m 2016/17) to Affinity (Reading) Ltd under a service concession to refurbish council-owned housing at North Whitley
- £3.9m (£5.9m 2016/17) to Bracknell Forest Borough Council for public health services under a joint arrangement
- £3.5m (£3.8m 2016/17) to Reading Transport Ltd for providing free travel under the Concessionary Fares Scheme
- There were no disposals of maintained schools transferring to academy status in 2017/18, therefore there was no loss on disposal (£3.7m 2016/17); and
- £3.1m (£3.3m 2016/17) to Northgate Public Services (UK) Ltd for the provision of IT services.

Note 6 - Events After the Balance Sheet Date

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

The Council operated a number of off-street car parks through an agency / profit sharing arrangement with NCP. In November 2018, the Council opted to cease this arrangement and return to being directly operated by the Council. This will generate £1.6m in savings over a 5-year period.

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 2017/18 accounts.

Events taking place after 31 March 2018 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

COVID-19

On 23 March 2020, the Prime Minister announced that to limit the spread of coronavirus he would be requiring people to stay at home as much as possible and limiting travel to essential journeys only. This meant that many businesses became unable to continue operating, and many employees of these businesses were 'furloughed' on 80% of their salary paid for by central government. The financial and social consequences of this are not yet fully understood, however it is anticipated that the condition will exist for the short to medium-term future, and that it will have a significant impact upon the UK and global economy.

As this condition did not exist at 31 March 2018, this is a non-adjusting event, and therefore no adjustments have been made to the amounts reported in this Statement of Accounts. At this time, only a limited estimate of the financial effect on the Council can be made. However, it is likely that the situation will have a material impact on the Council's financial position in future years.

Following a review of the Balance Sheet as at 31 March 2018, the following areas have been identified where asset or liability values are likely to be impacted materially by COVID-19:

- Property, plant and equipment and investment property – It is likely that property assets held at current value and fair value will experience significant downwards revaluations. Valuations tend to be based upon the level of income generated by the property, either through rental income or provision of services (e.g. car park charges), and both of these are likely to be negatively impacted by the current situation.
- Pension fund liability – The value of the liability is highly sensitive to the actuarial assumptions used in its calculation, as set out at note 43. On 11 March 2020, the Bank of England lowered its base rate by 0.50% to 0.25%. The rate was then further reduced to 0.10% on 19 March 2020. Any corresponding decrease in the discount rate applied to the pension fund would result in a significant increase in the liability. Conversely, changes to mortality assumptions could result in a decrease in the liability.

At the present time, the level of uncertainty is such that it is not possible to reliably quantify the impact on the above areas, although it should be noted that any such impacts will be reversed out of the General Fund through the Movement in Reserves Statement under statutory requirements, therefore will not affect the Council's usable reserves position.

In terms of the Council's Group Accounts, Covid-19 had had a significant short-term impact on the turnover and income of Reading Transport Limited, a wholly owned subsidiary of Reading Borough Council. It is currently too early to tell what the medium and longer term impact will be. However, the Government has accessed all the government support mechanisms available to it and is working with the Council to review options to ensure that they can continue to deliver public transport sustainably for the foreseeable future.

Note 7 -Expenditure and Funding Analysis

2016/17 Net Expenditure Chargeable to the General Fund and HRA Balance	2016/17 Adjustments	2016/17 Net Expenditure in the Compre-hensive Income and Expenditure Statement		2017/18 Net Expenditure Chargeable to the General Fund and HRA Balance	2017/18 Adjustments	2017/18 Net Expenditure in the Compre-hensive Income and Expenditure Statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
43,033	1,198	44,231	Adult Care and Health Services	37,239	1,741	38,980
17,781	(703)	17,078	Corporate Support Services	5,338	14,583	19,921
46,362	16,363	62,725	Children, Education and Early Help Services	41,905	8,470	50,375
28,713	63,785	92,498	Environment and Neighbourhood Services	31,177	15,218	46,395
(21,532)	(8,918)	(30,450)	Housing Revenue Account	(11,631)	(4,636)	(16,267)
114,357	**71,725**	**186,082**	**Net Cost of Services**	**104,028**	**35,376**	**139,404**
(99,690)	(25,318)	(125,008)	Other Income and Expenditure	(123,160)	(10,910)	(134,070)
14,667	**46,407**	**61,074**	**Surplus or Deficit on Provision of Services**	**(19,132)**	**24,466**	**5,334**
(31,004)			Opening Combined unearmarked General Fund and HRA Balance	(30,533)		
471			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	(3,320)		
(30,533)			**Closing Combined unearmarked General Fund and HRA Balance**	**(33,853)**		

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

	2016/17			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Adult Care and Health Services	635	565	(2)	1,198
Corporate Support Services	3,565	258	3,446	7,269
Children, Education and Early Help Services	14,563	1,797	3	16,363
Environment and Neighbourhood Services	62,628	1,145	12	63,785
Housing Revenue Account	(8,998)	107	(27)	(8,918)
Net Cost of Services	**72,393**	**3,872**	**3,432**	**79,697**
Other Income and Expenditure	(39,208)	11,838	(5,920)	(33,290)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**33,185**	**15,710**	**(2,488)**	**46,407**

	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)	1,740
Corporate Support Services	5,127	6,562	2,894	14,583
Children, Education and Early Help Services	4,237	4,457	(223)	8,471
Environment and Neighbourhood Services	12,335	3,093	(210)	15,218
Housing Revenue Account	(6,046)	1,449	(39)	(4,636)
Net Cost of Services	**16,162**	**16,892**	**2,322**	**35,376**
Other Income and Expenditure	(22,364)	11,350	104	(10,910)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**(6,202)**	**28,242**	**2,426**	**24,466**

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

2016/17 £000		**2017/18 £000**
(7,629)	Adult Care and Health Services	(14,663)
(21,772)	Corporate Support Services	(18,961)
(19,841)	Children, Education and Early Help Services	(21,413)
(43,593)	Environment and Neighbourhood Services	(40,708)
(38,441)	Housing Revenue Account	(37,426)
(131,276)	**Total**	**(133,171)**

The Segmental Analysis of Income and Expenditure provides analysis of the revenue generated from external customers, which has been included in column 1 of the Expenditure and Funding Analysis.

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 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.

2016/2017	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)	(14,926)	(784)				15,710
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(421)					421
Council tax and NDR (transfers to or from the Collection Fund)	6,341					(6,341)
Holiday pay (transferred to the Accumulated Absences reserve)	1,041	27				(1,068)
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	(4,500)					4,500
Charges for depreciation and impairment of non-current assets	(70,295)	7,333				62,962
Movements in the market value of investment properties	99					(99)
Amortisation of intangible assets	(111)					111
Revenue expenditure funded from capital under statute	(11,776)	(33)				11,809
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal	(5,612)	(2,281)				7,893
Capital grants and contributions unapplied	27,022				(27,022)	
Total Adjustments to Revenue Resources	**(73,138)**	**4,262**	**-**	**-**	**(27,022)**	**95,898**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,489	4,226	(5,715)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,182)		1,182			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		7,400		(7,400)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,511	4,379				(9,890)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	165	480				(645)
Total Adjustments between Revenue and Capital Resources	**5,983**	**16,485**	**(4,533)**	**(7,400)**	**-**	**(10,535)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			4,009			(4,009)
Use of the Major Repairs Reserve to finance new capital expenditure				7,400		(7,400)
Application of capital grants to finance capital expenditure					27,534	(27,534)
Cash payments in relation to deferred capital receipts			(278)			278
Total Adjustments to Capital Resources	**-**	**-**	**3,731**	**7,400**	**27,534**	**(38,665)**
Other adjustments			(1,031)			1,031
Total Adjustments	**(67,155)**	**20,747**	**(1,833)**	**-**	**512**	**47,729**

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
Charges for depreciation and impairment of non-current assets	(17,302)	(6,213)	-	-	-	23,515
Movements in the market value of investment properties	(3,743)	-	-	-	-	3,743
Amortisation of intangible assets	(884)	-	-	-	-	884
Revenue expenditure funded from capital under statute	(4,702)	(55)	-	-	-	4,757
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal	(7,629)	(1,414)	-	-	-	9,043
Capital grants and contributions unapplied	24,826	-	-	-	(24,826)	-
Total Adjustments to Revenue Resources	**(44,093)**	**(9,094)**	**5,403**	**-**	**(24,826)**	**72,610**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	8,687	2,560	(11,247)	-	-	-
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**	**14,875**	**(10,324)**	**(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	-	-	-	-	19,253	(19,253)
Cash payments in relation to deferred capital receipts	-	-	(328)	-	-	328
Total Adjustments to Capital Resources	**-**	**-**	**3,163**	**6,654**	**19,253**	**(29,070)**
Other adjustments			(997)			997
Total Adjustments	**(30,246)**	**5,781**	**(1,758)**	**(1,328)**	**(5,573)**	**34,121**

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 2016	Transfers In	Transfers Out	Balance at 31 March 2017	Transfers In	Transfers Out	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Emergency Planning	(200)	-	-	**(200)**	-	-	**(200)**
General Fund Reserve Account	(108)	(116)	-	**(224)**	-	116	**(108)**
Legal and Taxation Reserve	(250)	-	-	**(250)**	-	-	**(250)**
Organisational Change, DSG & Schools	(5,000)	-	3,643	**(1,357)**	(3,405)	834	**(3,928)**
Pension Liabilities	(300)	(787)	-	**(1,087)**	-	-	**(1,087)**
Property Liabilities	(200)	-	-	**(200)**	-	-	**(200)**
Prudential Reserve	(5,450)	-	5,450	**-**	-	-	**-**
Public Health	-	-	-	**-**	(567)	-	**(567)**
Revenue Grant Unapplied Reserve	(5,453)	(619)	4,330	**(1,742)**	(1,861)	531	**(3,072)**
Self Insurance	(5,401)	-	2,518	**(2,883)**	(2,634)	-	**(5,517)**
Childrens Strategic Reserve	-	-	-	**-**	(250)	-	**(250)**
Resilience Reserve	-	-	-	**-**	(7,362)	-	**(7,362)**
Parking & Transportation Reserve	-	-	-	**-**	(1,097)	-	**(1,097)**
Total General Fund	**(22,362)**	**(1,522)**	**15,941**	**(7,943)**	**(17,176)**	**1,481**	**(23,638)**
Housing Revenue Account Reserves:							
North Whitley PFI	(9,100)	(224)	-	**(9,324)**	(117)	-	**(9,441)**
Total Housing Revenue Account	**(9,100)**	**(224)**	**-**	**(9,324)**	**(117)**	**-**	**(9,441)**
Total Earmarked Reserves	**(31,462)**	**(1,746)**	**15,941**	**(17,267)**	**(17,293)**	**1,481**	**(33,079)**

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 £1.788m 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 £2.860m 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 £5m;

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

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

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

The **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

2016/17 £000		2017/18 £000
116	Levies	122
1,182	Payments to the Government Housing Capital Receipts Pool	923
4,070	Gains/losses on the Disposal of Non-Current Assets	(1,957)
5,368	**Total Other Operating Expenditure**	**(912)**

Note 11 - Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
15,530	Interest payable and similar charges	13,926
11,838	Net interest on the net defined benefit liability (asset)	12,128
(1,582)	Interest receivable and similar income	(1,861)
(1,086)	Income and expenditure in relation to investment properties and changes in their fair value	1,261
24,700	**Total**	**25,454**

Note 12 - Taxation and Non-Specific Grant Income

2016/17 £000		2017/18 £000
(72,672)	Council tax income	(79,815)
(30,699)	Non-domestic rates income and expenditure	(35,003)
(24,683)	Non-ringfenced government grants	(18,969)
(27,022)	Capital grants and contributions	(24,826)
(155,076)	**Total**	**(158,613)**

Note 13 - Expenditure and Income Analysed by Nature

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

2016/17 £000	Nature of Expenditure or Income	2017/18 £000
135,034	Council employees	148,529
13,754	Voluntary Aided Schools	12,852
148,788	**Sub total**	**161,381**
62,021	Depreciation, amortisation, impairment	24,627
27,398	Interest payments	26,054
287,553	Other service expenses	265,000
22,368	Business Rates Tariff	27,521
1,182	Payments to Housing Capital Receipts Pool	923
11,514	Loss on Asset Disposals	(779)
560,824	**Total Expenditure**	**504,727**
(131,276)	Revenue from external customers and other service income	(131,910)
(1,582)	Interest and investment income	(1,861)
(125,739)	Income from Council Tax and NDR	(142,339)
(233,709)	Government grants and contributions	(222,105)
(7,444)	Gain on Asset Disposals	(1,178)
(499,750)	**Total Income**	**(499,393)**
61,074	**(Surplus) or Deficit for Year**	**5,334**

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 2018 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.

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Property, Plant and Equipment 2016/17

Movements to 31 March 2017

	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 2016	458,225	356,228	22,942	273,230	11,711	8,186	-	**1,130,523**
Additions	10,307	13,771	3,429	9,102	668	3,376	325	**40,978**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36,528	14,050	159	-	-	7,914	-	**58,651**
Derecognition – disposals	(1,662)	(7,269)	(4,106)	-	(1)	-	-	**(13,038)**
Reclassifications and transfer	-	(1,178)	(2,485)*	-	-	7,640	-	**3,976**
Other movements in cost or valuation	934	-	(468)	-	-	-	-	**466**
at 31 March 2017	**504,332**	**375,601**	**19,470**	**282,332**	**12,378**	**27,116**	**325**	**1,221,555**
Accumulated Depreciation and Impairment								
at 1 April 2016	(6,150)	(65,975)	(13,955)	(66,866)	-	-	-	**(152,946)**
Depreciation charge	(7,401)	(8,602)	(3,537)	(25,585)	-	-	-	**(45,125)**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(530)	(9)	-	-	(230)	-	**(769)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	14,458	3,157	(46)	(33,931)	(75)	(348)	-	**(16,785)**
Derecognition – disposals	27	803	4,003	-	-	-	-	**4,833**
Reclassifications and transfers	-	1,882	1,329*	-	-	-	-	**3,211**
Other movements in depreciation and impairment	(934)	231	468	-	-	-	-	**(235)**
at 31 March 2017	**-**	**(69,034)**	**(11,747)**	**(126,382)**	**(75)**	**(578)**	**-**	**(207,816)**
Net Book Value								
at 31 March 2016	**452,076**	**290,253**	**8,987**	**206,364**	**11,711**	**8,186**	**-**	**977,577**
at 31 March 2017	**504,332**	**306,568**	**7,724**	**155,950**	**12,303**	**26,538**	**325**	**1,013,740**

* see note 17, Intangible Asset

Property, Plant and Equipment 2017/18

Movements to 31 March 2018

	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
at 1 April 2017	504,332	375,601	19,471	282,332	12,378	27,116	325	**1,221,555**
Opening balance adjustment		(1,120)		(703)				**(1,823)**
Adjustments to cost/value & depreciation/impairment	2,455	-	-	-	-	-	-	**2,455**
Additions	7,263	8,688	2,416	4,611	266	82	10,606	**33,932**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,007)	13,284	(418)	-	-	6,592	-	**15,451**
Derecognition – disposals	(1,421)	(463)	(19)	-	-	(6,876)	-	**(8,779)**
Reclassifications and transfer	(4,065)	(6,453)	-	-	-	5,129	1,285	**(4,104)**
Other movements in cost or valuation	(7,981)	-	-	-	-	(3,751)	-	**(11,732)**
at 31 March 2018	**496,576**	**389,537**	**21,451**	**286,240**	**12,644**	**28,292**	**12,216**	**1,246,955**
Accumulated Depreciation and Impairment								
at 1 April 2017	-	(69,034)	(11,747)	(126,382)	(75)	(578)	-	**(207,816)**
Opening balance adjustment		880						**880**
Adjustments to cost/value & depreciation/impairment	(2,454)	-	-	-	-	-	-	**(2,454)**
Depreciation charge	(7,982)	(8,812)	(1,676)	(18,453)	-	-	-	**(36,923)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	1,992	15,525	5	(1,541)	-	(2,800)	-	**13,181**
Derecognition – disposals	7	126	3	-	-	-	-	**136**
Reclassifications and transfers	455	4,022	-	-	-	(373)	-	**4,104**
Other movements in depreciation and impairment	7,982	-	-	-	-	3,751	-	**11,733**
at 31 March 2018	**-**	**(57,293)**	**(13,415)**	**(143,376)**	**(75)**	**-**	**-**	**(217,159)**
Net Book Value								
at 31 March 2017 restated	**504,332**	**306,568**	**7,724**	**155,950**	**12,303**	**26,538**	**325**	**1,013,740**
at 31 March 2018	**496,576**	**332,244**	**8,035**	**139,864**	**12,569**	**28,292**	**12,216**	**1,029,795**

Note 15 - Heritage Assets

2016/17 £000	Heritage Assets	Reading Abbey £000	Civic Regalia £000	Other £000	Total 2017/18 £000
917	Opening Balance	459	491	163	1,113
196	Acquisitions	1,200			1,200
1,113	**Closing Balance**	**1,659**	**491**	**163**	**2,313**

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 tapestries currently hang 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 2017 £000	Investment Property Income and Expenditure	31 March 2018 £000
(899)	Rental income from investment property	(2,231)
-	Direct operating expenses from investment property	-
-	Other income and expenditure	-
(899)	**Net (gain)/loss**	**(2,231)**

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 2017 Non-Current £000	Investment Properties Movements in Year	31 March 2018 Non-Current £000
11,615	Opening Balance	25,910
23,999	Purchases	21,276
(821)	Disposals	-
98	Net gains/losses from fair value adjustments	(3,742)
(8,981)	Transfer to/from Property Plant and Equipment	-
25,910	**Balance at the end of the year**	**43,444**

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 2017 £000		31 March 2018 £000
	Intangible Assets	
190	Opening balance	1,272
36	Additions	981
(111)	Depreciation	(884)
1,157	Transfers*	-
1,272	**Closing balance**	**1,369**

* Transfers from Equipment to Intangible asset in 2016/17

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:

2016/17 Long term £000	2016/17 Short Term £000		2017/18 Long Term £000	2017/18 Short term £000
		Loans and Receivables		
8,996	12,334	Debtors	17,538	17,352
-	22,146	Cash and cash equivalents	-	29,835
		Available for Sale Assets		
14,643	-	Investments[1]	14,913	-
23,639	**34,480**	**Total Financial Assets**	**32,451**	**47,187**
		Financial liabilities at amortised cost		
		Loans and Receivables		
(288,291)	(62,667)	Borrowing	(298,337)	(81,407)
-	(33,791)	Creditors	-	(29,905)
(26,637)	(968)	PFI lease liability[2]	(27,192)	(968)
(314,928)	**(97,426)**	**Total Financial Liabilities**	**(325,529)**	**(112,280)**

[1] The difference in the investments figures, as compared to those in the Balance Sheet, is due to the exclusion of the value of 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:

2016/17 Total £000		Financial Liabilities: Amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available-for-sale assets £000	2017/18 Total £000
15,528	Interest expense	13,926	-	-	13,926
(1,582)	Interest income		(1,861)		(1,861)
	Fees	136			136
13,946	**Net impact on (surplus)/deficit on provision of Services**	**14,062**	**(1,861)**	**-**	**12,201**
648	(Gain)/loss on Revaluation			(676)	(676)
648	**Impact Other Comprehensive Income and Expenditure**			**(676)**	**(676)**
14,760	**Net (gain)/loss for the year**	**14,062**	**(1,861)**	**(676)**	**11,525**

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.

2016/17			2017/18	
Carrying amount £'000	**Fair Value £'000**		**Carrying amount £'000**	**Fair Value £'000**
		Loans and receivables		
21,330	21,330	Debtors	34,890	34,890
22,146	22,146	Cash and cash equivalents	29,835	29,835
43,476	43,476	Total financial assets	**64,725**	**64,725**
		Financial Liabilities at amortised Cost Borrowing:		
(264,522)	(355,911)	Public Works Loans Board	(273,362)	(352,435)
(25,133)	(48,767)	Lender Option Borrower Option loans	(25,130)	(46,615)
(5,189)	(7,549)	Other long term loans	(5,145)	(7,186)
(56,114)	(56,114)	Temporary borrowing	(76,107)	(76,107)
(350,958)	**(468,341)**		**(379,744)**	**(482,343)**
(33,791)	(33,791)	Creditors	(29,905)	(29,905)
(27,605)	(50,782)	PFI liabilities	(28,160)	(50,079)
(412,354)	**(552,914)**	**Total**	**(437,809)**	**(562,327)**

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:

2016/17 £'000		2017/18 £'000
1,493	Less than one month	1,957
730	One to three months	1,041
190	Four to five months	273
2,248	More than five months	2,142
4,661	**Total**	**5,413**

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.

2016/17 £ '000		2017/18 £ '000
62,667	Less than one year	81,407
4,966	1 - 2 years	4,415
14,216	2 - 5 years	12,142
22,180	5 - 10 years	21,340
58,000	10 - 25 years	56,500
105,929	25 - 40 years	113,940
83,000	40+ years	90,000
350,958		**379,744**

Market Risks

Interest Rate Risk

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

Price Risk

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

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 £7.1m. Three of the companies are dormant and one was only set up in 2016/17 and had yet to trade at the year-end. These interests have been excluded from the fair value disclosures because their fair value cannot be measured reliably as there is no market for the companies.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Council's advisers have determined that the valuation methods described above are likely to be accurate to within the following ranges, and have set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

2016/17	Assessed valuation range +	-	**Value at 31 March 2017**	Value on increase	Value on decrease
			£000	£000	£000
Property Fund	5%	5%	14,237	14,949	13,525

	+	-			
Long-term loans	0%	0%	8,996	8,996	8,996
Investment property	5%	5%	25,910	27,206	24,615
Assets held for sale	0%	5%	440	440	418
Surplus assets	0%	5%	26,538	26,538	25,211
Total			**76,121**	**78,128**	**72,765**

2017/18	Assessed valuation range		**Value at 31 March 2018**	Value on increase	Value on decrease
	+	-	**£000**	£000	£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%	43,444	45,616	41,272
Assets held for sale	0%	5%	50	50	48
Surplus assets	0%	5%	28,292	28,292	26,877
Total			**104,237**	**107,155**	**99,902**

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

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		(3,742)		43,444
440	Assets held for sale				(400)	10		50
26,538	Surplus assets	4,756		82	(9,820)	8,982	(2,246)	28,292
76,121	**Total**	**4,756**	**(1,660)**	**31,560**	**(10,220)**	**5,926**	**(2,246)**	**104,237**

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 Level 1 £000	Level 2 £000	Level 3 £000	2016/17 Total £000		Fair Value Hierarchy Level 1 £000	Level 2 £000	Level 3 £000	2017/18 Total £000
				Assets				
-	-	8,996	8,996	Long-term loans	-	-	17,538	17,538
-	-	14,237	14,237	Available for sale financial assets	-	-	14,913	14,913
-	-	52,888	52,888	Non-financial assets at fair value	-	-	68,867	68,867
-	**-**	**76,121**	**76,121**	**Total assets**	**-**	**-**	**101,318**	**101,318**
				Liabilities				
				Borrowing:				
-	(264,522)	-	(264,522)	Public Works Loans Board (PWLB)	-	(273,362)	-	(273,362)
-	(25,133)	-	(25,133)	LOBOs	-	(25,130)	-	(25,130)
-	(5,189)	-	(5,189)	Other lenders	-	(5,105)	-	(5,105)
	(56,114)		(56,114)	Temporary Borrowing		(76,107)		(76,107)
-	(27,605)	-	(27,605)	Service concessions	-	(28,160)	-	(28,160)
-	**(378,563)**	**-**	**(378,563)**	**Total liabilities**	**-**	**(407,864)**	**-**	**(407,864)**

Note 20 - Capital Commitments

At 31st March 2018, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2018-19 and future years at a cost of £8.9m. The major commitments are as follows:

31 March 2017 £000		31 March 2018 £000
-	Housing Revenue Account-New Build - Conwy Close	7,698
2,578	South Reading MRT Phase 1b and Phase 2	318
1,575	Reading Abbey Revealed	343
-	Community Hubs	224
417	School Expansion at Hodsoll Road	125
466	School Expansion at EP Collier	81
466	Civic Centre Demolition	-
426	Other small schemes	85
5,928	**Total**	**8,874**

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 2017	New advances recognised	Transfer (to)/from short term or other	31 March 2018
	£ '000	£ '000	£ '000	£ '000
Homes for Reading	-	3,600		3,600
NCP Limited	1,381		(292)	1,089
Reading Transport Limited	6,773	490	(1,215)	6,048
Other mortgages and Loans	22		(18)	4
Other long term debtors	820		(135)	685
LGPS payment in Advance	-	6,112		6,112
	8,996	**10,202**	**(1,660)**	**17,538**

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 2017 £000		31 March 2018 £000
3,576	Central Government Bodies	5,951
1,320	Other Local Authorities	1,647
1,273	NHS Bodies	413
17,117	Other Entities and Individuals	36,523
23,286	**Total Debtors**	**44,534**

Note 22 - Cash and Cash Equivalents

31 March 2017 £000		31 March 2018 £000
22,146	Cash and Bank balances	29,835
22,146	**Total Cash and Cash Equivalents**	**29,835**

Note 23 - Creditors

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

31 March 2017 £000		31 March 2018 £000
(11,407)	Central Government Bodies	(13,346)
(2,149)	Other Local Authorities	(1,560)
(444)	NHS Bodies	(385)
(68)	Public Corporations and Trading Funds	-
(52,867)	Other Entities and Individuals	(46,818)
(66,935)	**Total Creditors**	**(62,109)**

Note 24 - Provisions

	Balance at 1st April 2017	Transfers	Amounts Used in 2017/18	Additional Provisions Made in 2017/18	Balance at 31st March 2018
	£ '000	£ '000	£ '000	£ '000	£ '000
Provision for NNDR Appeals	(5,169)	-	3,043	(3,729)	(5,855)
Insurance	(1,660)	-	5,581	(5,169)	(1,248)
Sleep-in Allowance	-	-	-	(952)	(952)
Ordinary Residence Disputes	(650)	-	-	(453)	(1,103)
Unequal Pay Back Pay	-	(14,000)	5,403	(2,053)	(10,650)
Other	-	-	-	(98)	(98)
Total Short Term Provisions	**(7,479)**	**(14,000)**	**14,027**	**(12,454)**	**(19,906)**
Unequal Pay Back Pay	(14,000)	14,000	-	-	-
Rent deposit guarantee	(320)	20	-	(170)	(470)
Other	-	(20)	-	-	(20)
Total Long Term Provisions	**(14,320)**	**14,000**	**-**	**(170)**	**(490)**
Total Provisions	**(21,799)**	**-**	**14,027**	**(12,624)**	**(20,396)**

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 2017 £000		Note	31 March 2018 £000
(6,500)	General Fund		(7,000)
(24,033)	HRA		(26,853)
(17,267)	Earmarked Reserves	9	(33,079)
-	Major Repairs Reserve		(1,328)
(8,711)	Capital Grants Unapplied		(14,987)
(20,718)	Capital Receipts Reserve		(23,472)
(77,229)	**Total**		**(106,719)**

Capital Receipts Reserve

31 March 2017 £000		31 March 2018 £000
(18,885)	Balance 1 April	(20,718)
(5,715)	Capital Receipts in year	(11,246)
(278)	Deferred Receipts realised	(328)
1,182	Capital Receipts Pooled	923
1,500	Capital Receipts transferred to Capital Adjustment Account to repay debt	-
-	Equal Pay	5,403
2,509	Capital Receipts used for financing	3,491
(1,031)	Other movements	(997)
(20,718)	**Balance 31 March**	**(23,472)**

Major Repairs Reserve

31 March 2017 £000		31 March 2018 £000
-	Balance 1 April	-
(7,400)	Depreciation and Amortisation	(7,982)
7,400	Application to finance capital expenditure	6,654
-	**Balance 31 March**	**(1,328)**

Capital Grants Unapplied

31 March 2017 £000		31 March 2018 £000
(9,223)	Balance 1 April	(8,711)
	Restated Balance 1 April	**(9,413)**
(27,022)	Capital grants recognised in year	(24,826)
27,534	Capital grants and contributions applied	19,252
(8,711)	**Balance 31 March**	**(14,987)**

Note 26 - Unusable Reserves

The Unusable Reserves of the Council are as follows:

31 March 2017 £000		31 March 2018 £000
(178,505)	Revaluation Reserve	(191,513)
762	Available for Sale Financial Instruments Reserve	87
(385,452)	Capital Adjustment Account	(378,973)
(1)	Financial Instruments Adjustment Account	-
450,964	Pension Reserve	446,498
(1,615)	Deferred Capital Receipts Reserve	(6,152)
(3,123)	Collection Fund Adjustment Account	(3,020)
6,150	Unequal Pay Back Pay Account	9,150
1,806	Accumulated Absences Account	1,128
(109,014)	**Total**	**(122,795)**

Revaluation Reserve

31 March 2017 £000		31 March 2018 £000
(128,070)	Balance 1 April	(178,505)
	Restated balance 1 April	**(179,690)**
(58,650)	Upward revaluation of assets	(31,648)
769	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	16,426
(57,881)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(15,222)**
2,418	Difference between fair value depreciation and historical cost depreciation	3,084
912	Accumulated gains on assets sold or scrapped	315
4,115	Other movements	-
7,446	**Amount written off to the Capital Adjustment Account**	**3,399**
(178,505)	**Balance 31 March**	**(191,513)**

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 Revaluation 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 2017 £000		31 March 2018 £000
114	Balance 1 April	762
0	Upward revaluation of investments	(675)
648	Downward revaluation of investments not charged to the Surplus or Deficit on the Provision of Services	0
762	**Balance 31 March**	**87**

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 2017 £000		31 March 2018 £000
(412,235)	Balance 1 April	(385,452)
	Restated balance 1 April	**(378,699)**
61,710	Charges for depreciation and impairment of non-current assets	23,515
111	Amortisation of intangible assets	884
11,809	Revenue expenditure funded from capital under statute	4,757
9,144	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,043
82,774	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	38,199
(7,446)	Adjusting Amounts written out of the Revaluation Reserve	(3,399)
75,329	**Net written out amount of the cost of non-current assets consumed in the year**	34,800
(2,509)	Use of Capital Receipts Reserve to finance new capital expenditure	(3,491)
(7,401)	Use of Major Repairs Reserve to finance new capital expenditure	(6,654)
(27,534)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(19,253)
(9,890)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,084)
(644)	Capital expenditure charged against the General Fund and HRA balances	(332)
(47,978)	**Capital financing applied in year:**	(39,814)
(99)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,743
1,031	Other movements	997
(1,500)	Repayment of borrowing	
(385,452)	**Balance 31 March**	**(378,973)**

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 2017 £000		31 March 2018 £000
(422)	**Balance 1 April**	(1)
421	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	1
421	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	1
(1)	**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 2017 £000		31 March 2018 £000
333,986	Balance 1 April	450,964
101,268	Remeasurements of the net defined benefit (liability)/asset	(32,708)
28,730	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	44,077
(13,020)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,835)
0	Other movements	0
450,964	**Balance 31 March**	**446,498**

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 2017 £000		31 March 2018 £000
(1,893)	Balance 1 April	(1,615)
	Restated Balance 1 April	**(6,287)**
278	Transfer to the Capital Receipts Reserve upon receipt of cash	428
-	Other movements	(293)
(1,615)	**Balance 31 March**	**(6,152)**

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. The restated balance 1 April includes the finance lease with Reading Transport Ltd.

Collection Fund Adjustment Account

31 March 2017 £000		31 March 2018 £000
3,218	Balance 1 April	(3,123)
(6,341)	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	103
(3,123)	**Balance 31 March**	**(3,020)**

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 2017 £000		31 March 2018 £000
1,650	**Balance 1 April**	6,150
4,500	Increase in provision for back pay in relation to Equal Pay cases	8,403
0	Cash settlements paid in the year	(5,403)
4,500	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	3,000
6,150	**Balance 31 March**	**9,150**

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 2017 £000		31 March 2018 £000
2,874	**Balance 1 April**	1,806
(2,874)	Settlement or cancellation of accrual made at the end of the preceding year	(1,806)
1,806	Amounts accrued at the end of the current year	1,128
(1,068)	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	(678)
1,806	**Balance 31 March**	**1,128**

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, eg 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 2017 £000		31 March 2018 £000
(1,550)	Interest received	(1,843)
15,259	Interest paid	13,822
13,709	**Total**	**11,979**

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

31 March 2017 £000		31 March 2018 £000
(45,125)	Depreciation	(36,696)
(17,554)	Impairment and valuation gain or loss	12,954
(111)	Amortisation	(884)
-	(Increase)/decrease in impairment for bad debts	-
(13,987)	(Increase)/decrease in creditors	4,104
(4,294)	Increase/(decrease) in debtors	21,167
-	Increase/(decrease) in inventories	(23)
(15,710)	Movement in pension liability	(28,242)
(9,144)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(9,043)
226	Other non-cash movements charged to the surplus or deficit on provision of services	(2,349)
(105,699)	**Total**	**(39,012)**

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

31 March 2017 £000		31 March 2018 £000
5,715	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,247
27,022	Any other items for which the cash effects are investing or financing cash flows	24,123
32,737	**Total**	**35,370**

Note 28 - Cash Flow from Investing Activities

31 March 2017 £000		31 March 2018 £000
65,285	Purchase of property, plant and equipment, investment property and intangible assets	59,671
3,352	Purchase of short-term and long-term investments	2,743
1,448	Other payments for investing activities	9,712
(5,715)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,165)
(29,770)	Other receipts from investing activities	(39,813)
34,600	**Net cash flows from investing activities**	**21,148**

Note 29 - Cash Flow from Financing Activities

31 March 2017 £000		31 March 2018 £000
(197,120)	Cash receipts of short-term and long-term borrowing	(126,000)
628	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,083
162,182	Repayments of short-term and long-term borrowing	97,257
(2,224)	Other payments for financing activities	(2,869)
(36,534)	**Net cash flows from financing activities**	**(30,529)**

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.

2016/17 £000	Housing Building Maintenance	2017/18 £000
(7,489)	Income	7,508
7,624	Expenditure	(7,565)
135	**Net Surplus / Deficit for Year**	**(57)**

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.

2016/17 £000	Building Control Trading Account	2017/18 £000
(411)	Income	380
412	Expenditure	(548)
1	**Net Surplus / Deficit for Year**	**(168)**

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 £25.6m (2016/17: £34.1m).

The Council administered £7.3m (2016/17: £6.7m) of this total. The most significant Joint Arrangements managed by the Council include:

Child Care Lawyers (£4.7m)
Coroner's Service (£1.4m)
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 2017/18 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 2017/18 was £12.3m (2016/17: £10.417m), with the Council's budgeted contribution as £0.305m (2016/17: £0.337m). The Council hosted schemes worth £8.090m in total at the end of 2017/18 (2016/17: £6.649m).

Community Equipment Service

The pooled budget for community equipment was established under Section 75 of the NHS Act 2006 with West Berkshire District 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 District Council purchase the equipment on behalf of the partners and charge them for what they use. In 2017/18, the gross expenditure of the partnership was £7.6m (2016/17: £7.7m), to which the Council contributed £0.46m (2016/17: £0.44m).

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 2017/18 was £446,745 (2016/17: £452,237), split over the following categories:

31 March 2017 £000		31 March 2018 £000
378	Salaries	372
74	Allowances	75
452	**Total Members' Allowances**	447

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

2016/17	Salary, Fees and Allowances	Pension Contribution	Total
	£	£	£
Managing Director	34,839	5,992	**40,831**
Director of Environment and Neighbourhood Services	116,129	19,974	**136,103**
Head of Finance	89,277	15,356	**104,633**
Head of Customer Services	89,277	15,360	**104,637**
Head of Legal and Democratic Services	104,696	18,008	**122,704**
Director of Adult Care & Health Services	97,165	16,705	**113,870**
Director of Children, Education & Early Help Services	67,791	11,282	**79,073**
Total	**599,174**	**102,677**	**701,851**

2017/18	Salary, Fees and Allowances	Pension Contribution	Total
	£	£	£
Chief Executive*1 - Peter Sloman	128,267	28,090	**156,357**
Director of Environment and Neighbourhood Services*2	101,295	143,186	**244,481**
Director of Adult Care & Health Services*3	87,202	19,097	**106,299**
Head of Customer Services & Transformation	48,426	122,063	**170,489**
Head of Legal and Democratic Services*4	97,206	21,288	**118,494**
Director of Children, Education & Early Help Services	120,158	25,686	**145,844**
Director of Resources*5	4,543	995	**5,538**
Total	**587,097**	**360,345**	**947,502**

1. Peter Sloman joined the council in June 2017
2. From April 17 to September 17 the Director of Environment & Neighbourhood Services was paid at a rate equivalent to £117,920 per annum, plus for the period April to May 17 an acting up supplement for the role as Interim Chief Executive of £4,921. As part of council transformation from 1st October 17 to March 18 the Director reduced their

hours to 0.8 FTE, was paid at a rate equivalent to £75,458 per annum and opted out of the pension scheme.

3. The Director of Adult Care & Health Services joined the council in July 2017
4. The Head of Legal & Democratic Services is also the Returning Officer and his salary includes £7,036 for this role.
5. The Director of Resources joined the council in March 2018

In addition the Council paid a total of £70,397 to Reed for the provision of an Intermin Director of Adult Social Care and Public Health, and £197,200 to Competex Umbrella Ltd for the provision of an interim Director of Finance period April 2017 to Mar 2018.

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

2016/17 Schools	**2016/17 Non-schools**	**2016/17 Total**		**2017/18 Schools**	**2017/18 Non-schools**	**2017/18 Total**
10	54	64	£50,001 to £55,000	13	37	50
6	23	29	£55,001 to £60,000	10	25	35
10	9	19	£60,001 to £65,000	7	9	16
7	6	13	£65,001 to £70,000	8	4	12
7	5	12	£70,001 to £75,000	6	8	14
1	2	3	£75,001 to £80,000	2	1	3
3	5	8	£80,001 to £85,000	1	3	4
1	4	5	£85,001 to £90,000	-	-	0
1	-	1	£90,001 to £95,000	-	1	1
1	1	2	£95,001 to £100,000	1	-	1
1	1	2	£100,001 to £105,000	1	-	1
-	-	-	£105,001 to £110,000	-	-	-
-	-	-	£110,001 to £115,000	-	-	-
-	-	-	£115,001 to £120,000	1	-	1
-	-	-	£120,001 to £125,000	-	-	-
-	-	-	£125,001 to £130,000	-	-	-
-	-	-	£130,001 to £135,000	-	-	-
-	1	1	£135,001 to £140,000	-	-	-
48	**111**	**159**	**Total**	**50**	**88**	**138**

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 (£)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0-£20,000	1	-	29	64	30	64	250,412	476,756
£20,001 - £40,000	-	-	8	6	8	6	245,767	170,449
£40,001 - £60,000	1	-	3	2	4	2	193,762	83,734
£60,001 - £80,000	-	-	1	1	1	1	61,886	67,905
£80,001 - £100,000	-	-	-	2	-	2	-	175,476
£100,001 - £150,000	-	-	2	-	2	-	229,683	-
Total	**2**	**-**	**43**	**75**	**45**	**75**	**981,511**	**974,320**
Add: Amounts provided for in CIES not included in bandings							-	-
Total cost included in CIES							**981,511**	**974,320**

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

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

Note 35 - External Audit Costs

The Council's external auditors are EY. The financial year to 31 March 2018 is the last year of a three year appointment. The amounts payable by the Council to EY for external audit services are as follows:

2016/17 £000		2017/18 £000
708	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year*	108
27	Fees payable to external auditors for the certification of grant claims and returns for the year	35
6	Fees payable in respect of other services provided by external auditors during the year	(16)
741	**Total**	**127**

*2017/18 audit fee does not include additional audit fee that is subject to agreement with Public Sector Audit Appointments (PSAA)

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 2016/17	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG for year before Academies recoupment			(108,442)
Academy figure recouped for year			34,506
Total DSG after academy recoupment			**(73,936)**
Plus: Brought forward from previous year			1,171
Less: Carry forward to following year (agreed in advance)			-
Agreed initial budgeted distribution in year	**(20,858)**	**(55,104)**	**(72,765)**
In year adjustments	-	(8)	(8)
Final budget distribution for year	**(20,858)**	**(55,112)**	**(72,773)**
Less: Actual central expenditure	20,995		20,995
Less: Actual ISB deployed to schools		55,112	55,112
Plus: Local Authority contribution for year	(137)	-	(137)
Carry forward to 2017/18	**-**	**-**	**3,197**

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)**

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 2017/18 as follows:

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

31 March 2017 £000		31 March 2018 £000
(16,826)	Revenue Support Grant	(10,368)
(4,606)	New Homes Bonus	(4,391)
(3,251)	Other non-specific revenue grants	(4,208)
(22,380)	Capital Grants	(18,996)
(4,642)	Capital Contributions	(5,829)
(51,705)	**Total**	**(43,792)**

Credited to Services

31 March 2017 £000		31 March 2018 £000
(72,773)	Dedicated Schools Grant	(76,973)
(74,224)	Housing Benefit & Council Tax Benefit subsidy	(71,275)
(10,269)	Public Health Grant	(10,021)
(3,997)	North Whitley PFI - Housing	(3,997)
(4,147)	Pupil Premium	(3,860)
-	Improved Better Care Fund	(1,635)
-	Childrens Company Set up grant	(1,384)
(1,528)	Universal Free School Meals	(1,212)
(1,057)	PFI Central Berkshire Waste Disposal	(1,057)
(754)	6th Form Funding	(747)
-	Flexible Homelessness Support	(667)
(641)	Troubled Families	(530)
(2,763)	Other Grants	(4,954)
(172,154)	**Total**	**(178,312)**

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2017 £000		31 March 2018 £000
-	LEP - New Enterprise Allowance Schemes	(5,406)
(488)	Developed Formula Grant	(512)
(9,099)	S106 Contributions	(17,484)
(45)	Other Grants	(48)
(9,632)	**Total**	**(23,450)**

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 2017/18 being £505k (2016/17: £516k). The majority of this is for the provision of contracted services and BWA is also in receipt of a sundry grant sum from the Council.

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

On member is a Director of Readibus and five members sit on the Board of Readibus. This Charity has been established to provide a Scheme for the transportation of elderly and temporarily or permanently disabled people within Reading and the surrounding district. The Council is the major grant funding body for Readibus. In total during 2017/18, the Council incurred costs of £687k (2016/17: £767k) with Readibus, of which £345k (2016/17: £390k) 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 2016/17.

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 27 Capital and Revenue Grants and Note 21 Debtors and Note 23 Creditors.

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 £4.9m (2016/17: £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 £942k (2016/17: less than £1.8m) and the entity has no assets, RHPP has been excluded from the Group Accounts on materiality grounds.

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 2017/18), 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 2017 £000		31 March 2018 £000
466,441	Opening Capital Financing Requirement restated	495,793
	Capital Investment:	
40,978	Property Plant and Equipment	33,932
23,999	Investment Property	21,276
36	Intangible Assets	981
196	Heritage Assets	1,199
11,808	Revenue Expenditure Funded from Capital Under Statute	4,757
1,448	Long term debtor	4,090
366	Long term Investment	2,743
78,831	**Total Capital Spending**	**68,978**
	Sources of Finance:	
(2,509)	Capital receipts	(3,491)
(27,534)	Government Grants and other contributions	(19,253)
(7,401)	Major repairs reserve	(6,654)
(645)	Direct revenue contributions	(332)
(38,089)	**Total Sources of Finance**	**(29,730)**
(9,890)	Minimum revenue provision	(10,084)
(1,500)	Application of funding to reduce existing CFR	(490)
495,793	**Closing Capital Financing Requirement**	**524,467**

Explanation of movements in year

31 March 2017 £000		31 March 2018 £000
37,499	Increase in underlying need to borrow (unsupported by government financial assistance)	39,248
3,243	Assets acquired under PFI contracts	-
(9,890)	Minimum revenue provision	(10,084)
(1,500)	Application of funding to reduce existing CFR	(490)
29,352	**Increase/(decrease) in Capital Financing Requirement**	**28,674**

Note 40 - Leases

Authority as Lessee - Finance Leases

At the 31st March 2018, 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 2017 £000		31 March 2018 £000
27	Not later than one year	27
108	Later than one year and not later than five years	108
220	Later than five years	193
355	**Total**	**328**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to this lease was £27,000 in 2017/18 (£27,000 in 2016/17).

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 2017 £000		31 March 2018 £000
	Finance lease debtor (net present value of minimum lease payments):	
1,142	- current	1,214
6,772	- non-current	6,048
815	Unearned finance income	578
8,729	**Gross investment in the lease**	**7,840**

To note: HFR was not material in 2016/17 and not included in Group Accounts for 2016/17. During 2017/18, HfR in the first full year of trading became material for Group Accounts 2017/18, which means the prior year comparators are restated in the Primary Statements in Group Accounts 2017/18

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 2017 £000	31 March 2018 £000		31 March 2017	31 March 2018 £000
1,379	1,406	Not later than one year	1,379	1,406
5,623	5,801	Later than one year and not later than five years	5,623	5,801
1,727	633	Later than five years	1,727	633
8,729	**7,840**	**Total**	**8,729**	**7,840**

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 2017 £000		31 March 2018 £000
2,514	Not later than one year	3,823
8,867	Later than one year and not later than five years	14,252
11,754	Later than five years	9,704
23,135	**Total**	**27,779**

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

2017/18 was the fourteenth year of a 30 year PFI contract to manage and maintain 1,374 dwellings on the North Whitley estate to defined availability and quality standard (1,282 dwellings remained as at 31 March 2017). The contract does not provide for transfer of the assets to the contractor or any other third party at the end of the contract on 9 May 2034.

Property, plant and equipment

The assets used to provide services at North Whitley estate are recognised on the Council's balance sheet. Movements in their value are detailed in the analysis of the movement of property, plant and equipment balance at Note 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 2018 are as follows:

			2016/17					2017/18
Service cost	Reimbursement of capital expend-iture	Interest	Total		Service cost	Reimbursement of capital expend-iture	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
3,645	602	2,318	6,565	within 1 year	3,701	380	2,668	6,749
15,103	1,712	10,380	27,195	within 2-5 years	15,383	2,116	10,554	28,053
20,110	3,906	12,194	36,210	within 6-10 years	20,601	4,146	12,820	37,567
21,569	8,822	8,448	38,839	within 11-15 years	22,237	10,364	7,951	40,552
9,445	5,811	1,751	17,007	within 16-20 years	5,049	3,246	913	9,208
69,872	**20,853**	**35,091**	**125,816**		**66,971**	**20,252**	**34,906**	**122,129**

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:

2016/17		2017/18
£'000		£'000
(21,364)	Opening balance	(20,853)
511	Repayment of liability	601
(20,853)		**(20,252)**

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

2016/17 Land & Buildings £000s	2016/17 Plant & Equipment £000s	2016/17 Total £000s		2017/18 Land & Buildings £000s	2017/18 Plant & Equipment £000s	2017/18 Total £000s
11,248	2,190	13,438	Opening Balance	12,109	2,728	14,837
			Restatement	(964)	(488)	(1,452)
			Restated opening balance	**11,145**	**2,240**	**13,385**
201	159	360	Revaluations	-	-	-
(420)	(117)	(537)	Depreciation	(304)	(102)	(406)
(1,571)	(9)	(1,580)	Impairment	-	-	-
2,651	505	3,156	Additions	-	59	59
12,109	**2,728**	**14,837**	**Closing balance**	**10,841**	**2,197**	**13,038**

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 2018 are set out below:

2016/17 Service cost £'000	2016/17 Reimbursement of capital expend-iture £'000	2016/17 Interest £'000	2016/17 Total £'000		2017/18 Service cost £'000	2017/18 Reimbursement of capital expend-iture £'000	2017/18 Interest £'000	2017/18 Total £'000
2,713	367	497	3,578	within 1 year	1,989	432	468	2,889
11,547	1,727	1,675	14,949	within 2-5 years	9,011	1,510	1,548	12,069
16,660	2,124	1,421	20,206	within 6-10 years	12,641	2,412	1,261	16,314
15,601	2,534	480	18,616	within 11-15 years	9,063	2,031	300	11,394
46,522	**6,752**	**4,074**	**57,348**		**32,704**	**6,385**	**3,577**	**42,666**

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

2016/17 £000s		2017/18 £000s
(115)	Within one year	(115)
(460)	2 to 5 years	(460)
(575)	6 to 10 years	(575)
(487)	11 to 15 years	(372)
(1,637)		(1,522)

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

2016/17 £000s		2017/18 £000s
(7,140)	Opening balance	(6,752)
388	Repayment	367
(6,752)	Closing balance	(6,385)

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 ot 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 10,000 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 2017/18, the Council paid £3.732m to the Teachers Pensions Agency in respect of teachers' retirement benefits representing 16.1% of pensionable pay (in 2016/17 £3.802m was paid representing 16.5% of pensionable pay). There were no contributions payable at the year-end. The expected contributions to the Teachers' Pension Scheme for 2018/19 are £3.7m, unchanged from 2017/18.

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; details of contributions and scheme performance are set out in notes i and ii below.

i. Teachers' Pension Scheme

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

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

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

ii. Local Government Pension Schemes

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

The Council participates in two post-employment schemes:

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

2016/17 Funded £000	2016/17 Unfunded £000		2017/18 Funded £000	2017/18 Unfunded £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
		Service cost comprising:		
17,614	-	Current service cost	26,472	-
245	-	Past service cost	7,156	-
-	-	(Gain) / loss from curtailments	-	-
(1,202)	-	(Gain) / loss from settlements and / or transfers	(1,913)	-
235	-	Administration expenses	234	-
		Other Operating Expenditure:		
		Financing and Investment Income and Expenditure		
11,838	-	Net interest expense	12,128	-
28,730	**-**	**Total charged to Surplus and Deficit on Provision of Services**	**44,077**	**-**

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:		
(44,093)	-	Return on plan assets (excluding the amount included in the net interest expense)	(6,450)	-
(7,180)	-	Actuarial gains and losses arising on changes in demographic assumptions	-	-
159,884	1,351	Actuarial gains and losses arising on changes in financial assumptions	(26,349)	91
(8,694)	-	Other movements in the liability / (asset)	-	-
99,917	**1,351**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(32,799)**	**91**
128,648	**1,351**	**Total charged to the Comprehensive Income and Expenditure Statement**	**11,278**	**91**

2016/17 Funded £000	2016/17 Unfunded £000	Movement in Reserves Statement	2017/18 Funded £000	2017/18 Unfunded £000
(28,730)	-	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(44,077)	-
		Actual amount charged against the general fund balance for pensions in the year:		
12,116	-	Employers' contributions payable to scheme	14,957	-
-	904	Benefits paid direct to beneficiaries	-	878

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

2016/17		Pensions Assets and Liabilities Recognised in the Balance Sheet	2017/18	
Funded	**Unfunded**		**Funded**	**Unfunded**
£000	**£000**		**£000**	**£000**
(815,974)	(12,001)	Present value of the defined obligation	(831,317)	(11,214)
377,011	-	Fair value of plan assets	396,033	-
(438,963)	**(12,001)**	**Net (liability) / asset arising from the defined benefit obligation**	**(435,284)**	**(11,214)**

iii. Reconciliation of the Present Value of the Scheme Liabilities

2016/17		Movements in the Fair Value of Scheme Liabilities	2017/18	
Funded	**Unfunded**		**Funded**	**Unfunded**
£000	**£000**		**£000**	**£000**
(643,732)	(11,554)	Opening balance at 1 April	(815,974)	(12,001)
(17,614)	-	Current service cost	(26,472)	-
(23,703)	-	Interest cost	(22,708)	-
(4,580)	-	Contributions from scheme participants	(4,512)	-
		Re-measurement gains and losses:		
7,180	-	- Actuarial gains / (losses) from changes in demographic assumptions	-	-
(159,884)	(1,351)	- Actuarial gains / (losses) from changes in financial assumptions	26,349	(91)
8,694	-	- Other	-	-
(244)	-	Past service cost	(7,156)	-
16,480	904	Benefits / transfers paid	16,651	878
1,429	0	Liabilities extinguished on settlements	2,507	0
(815,974)	**(12,001)**	**Balance as at 31 March**	**(831,317)**	**(11,214)**

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

2016/17		Movement in the Value of Scheme Assets	2017/18	
Funded	Unfunded		Funded	Unfunded
£000	£000		£000	£000
321,301	-	Opening fair value of scheme assets	377,013	-
11,866	-	Interest income	10,580	-
		Re-measurement gain / (loss):		
37,773	-	- The return on plan assets, excluding the amount included in the net interest expense	6,450	-
6,320	-	Other gains / (losses)	-	-
12,116	904	Contributions from employer	14,957	878
4,581	-	Contributions from employees into the scheme	4,512	-
(16,481)	(904)	Benefits / transfers paid	(16,651)	(878)
(237)	-	Administration expenses	(234)	-
(227)	-	Assets Extinguished on Settlement	(594)	-
377,012	**-**	**Closing value of scheme assets**	**396,033**	**-**

Basis for estimating assets and liabilities

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

v. Principal Assumptions

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

2016/17		2017/18
Years	Life expectancy assumptions	Years
	Longevity at 65 for current pensioners	
23.0	Men	23.1
25.0	Women	25.2
	Longevity at 65 for future pensioners	
25.1	Men	25.3
27.4	Women	27.5
%	**Financial assumptions**	**%**
3.6	RPI	3.3
2.7	CPI	2.3
2.8	Discount rate	2.6
2.7	Pension increases	2.3
4.2	Salary increases	3.8

vi. Scheme Assets

2016/17 £'000		2017/18 £'000
183,921	Equities	184,147
56,193	Other Bonds	58,266
51,979	Property	53,506
39,550	Cash	64,324
38,939	Target Return Portfolio	15,819
6,249	Commodities	6,995
19,142	Infrastructure	25,405
(18,961)	Longevity insurance	(12,429)
377,012	**Total**	**396,033**

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 £'000	Decrease in assumption £'000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(16,343)	16,685
Rate of increase in salaries (increase or decrease by 0.1%)	1,539	(1,529)
Rate of inflation (increase or decrease by 0.1%)	15,170	(14,867)
Longevity (increase or decrease by 1 year)	31,258	(30,104)

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 exchnage 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 2018/19

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 are £15.1m.

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 'McCloud judgement' relating to the Local Government Pension Scheme (and disclosed as an adjusted Post Balance Sheet event) has been reflected in the actuarial valuation of the reported pension fund deficit within the Balance Sheet.

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 2017 £000		31 March 2018 £000
	Expenditure	
9,154	Repairs & Maintenance	5,601
8,319	Supervision & Management	12,272
293	Rents, Rates, Taxes and other charges	147
(7,088)	Depreciation, impairments and revaluation losses of non-current assets	6,441
109	Debt Management Costs	68
(180)	Other	(116)
10,607	**Total Expenditure**	**24,413**
	Income	
(35,743)	Dwelling rents	(35,322)
(690)	Non-dwelling rents	(673)
(3.997)	PFI credit	(3,997)
(1,104)	Charges for services and facilities	(1,250)
(137)	Other	(181)
(41,671)	**Total Income**	**(41,423)**
(31,064)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(17,010)**
614	HRA Services Share of Corporate & Democratic Core	743
(30,450)	**Net Expenditure of HRA Services**	**(16,267)**
(1,946)	(Gains)/loss on sale of HRA Fixed Assets	(1,146)
8,730	Interest Payable and Similar Charges	8,024
(58)	HRA Interest and Investment Income	(97)
677	Net interest on the defined benefit liability/asset	769
(23,047)	**(Surplus) or Deficit for Year on HRA Services**	**(8,717)**

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 2017 £000	Movement on the HRA Statement	31 March 2018 £000
(21,956)	Balance on the HRA at the end of the previous year	(24,033)
(23,047)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(8,717)
20,746	Adjustments between accounting basis and funding basis under statute	5,780
(2,301)	**Net (increase) or decrease before transfers to or from reserves**	**(2,937)**
224	Transfer to/(from) reserves	117
(2,077)	(Increase) or decrease on the HRA for the year	(2,820)
(24,033)	Balance on the HRA at the end of the current year	(26,853)
(9,324)	Earmarked reserves – PFI smoothing reserve	(9,441)
(33,357)	**Total HRA reserves**	**(36,294)**

31 March 2017 £000	Adjustment between accounting basis	31 March 2018 £000
11,740	Transfers to/(from) the Capital Adjustment Account	(1,936)
1,946	Gain or (loss) on sale of non-current assets	1,146
(784)	Contributions to or (from) the Pension Reserve	(1,449)
27	Transfers to/(from) the Accumulated Absences Account	37
7,401	Transfers to/(from) Major Repairs Reserve	7,982
416	Capital expenditure funded by the HRA	-
20,746	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**5,780**

Notes to the HRA Account

Note 1 - Analysis of Council Housing Stock

At 31st March 2018, the Council was responsible for managing a housing stock of 6,780 dwellings, including 1,280 within the North Whitley PFI scheme (31st March 2017: 6,875 dwellings, 1,282 in the PFI scheme). These dwellings are of the following types:

31 March 2017		31 March 2018
2,973	Flats	2,885
3,902	Houses	3,895
6,875	**Total number of dwellings**	**6,780**

Note 2 - Housing Revenue Account Capital Expenditure

During 2017/18, the Council incurred £7.3m capital expenditure on land, houses and other properties within the HRA (2016/17: £10.6m). The detail of expenditure and the methods of financing are detailed below:

31 March 2017 £000		31 March 2018 £000
	Capital investment	
10,568	Operational assets	7,264
-	Revenue Expenditure funded from Capital under Statute	55
10,568	**Total capital investment**	**7,319**
	Sources of funding	
(1,796)	Borrowing	(454)
(843)	Capital Receipts	(156)
(7,401)	Major Repairs Reserve	(6,654)
(112)	Government grants and other contributions	-
(416)	Direct Revenue Financing	(55)
(10,568)	**Total funding**	**(7,319)**

Note 3 - Balance Sheet Value of HRA Operational Assets

31 March 2017 £000		31 March 2018 £000
504,332	Council Dwellings	496,576
9,002	Other Land and Buildings	10,937
-	Infrastructure and Community Assets	6,722
-	Assets Under Construction	652
513,334	**Total**	**514,886**

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 £1,504m (£1,527m at 31 March 2017). 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 2016/17).

Note 4 - Depreciation and Impairment

31 March 2017			31 March 2018	
Depreciation £000	**Impairment £000**		**Depreciation £000**	**Impairment £000**
(7,400)	14,458	Council Dwellings	(7,982)	1,992
(227)	257	Other Land and Buildings	(228)	-
(7,627)	**14,715**	**Total**	**(8,209)**	**1,992**

Note 5 - Transactions relating to Retirement Benefits

31 March 2017 £000		31 March 2018 £000
609	Current Service Cost	714
-	Past Service Costs	82
(195)	(Gain)/loss from settlements	(132)
15	Administration expenses	16
677	Net interest expense	769
1,106	**Total charged to Comprehensive Income and Expenditure Statement**	**1,449**
1,106	**Movement on Pension Reserve**	**1,449**

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 2017 £000		31 March 2018 £000
(4,226)	Council Houses	(2,560)
-	Other Property	-
(4,226)	**Total**	**(2,560)**

During the year, the Council disposed of 15 dwellings to tenants under the Right to Buy scheme. These disposals, along with non Right to buy sales, generated total capital receipts of £2.56m, of which £0.923m was paid to Central Government as the Council's contribution to the Central Housing Pool. £13.547m of HRA capital receipts was held by the Council as at 31st March 2018 available to be used on replacement housing.

Note 7 – Rent Arrears and Bad Debt Provision

31 March 2017 £000	Arrears by Tenant	31 March 2018 £000
455	Current Tenants	485
321	Former Tenants	318
776	**Total Arrears**	**803**

The specific provision for the possible non-collection of all rent related charges at 31 March 2018 is £0.6m, which represents 75% 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 2017				31 March 2018		
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
			INCOME:			
	(86,374)	(86,374)	Council Tax Receivable		(92,729)	(92,729)
(113,422)		(113,422)	Business Rates Receivable	(125,993)		(125,993)
			Transitional Protection Payments Receivable	(4,675)	-	(4,675)
	20	20	Reconciliation adjustments		14	14
(113,422)	**(86,354)**	**(199,776)**	**Total amounts to be credited**	**(130,668)**	**(92,715)**	**(223,383)**
			EXPENDITURE:			
			Apportionment of Previous Year Surplus/Deficit:			
500		500	Central Govenment	900	-	900
490	202	692	Reading Borough Council	882	800	1,682
10	9	19	Royal Berkshire Fire Authority	18	35	53
-	24	24	Thames Valley Police	-	94	94
			Precepts, demands and shares:			
53,650		53,650	Central Govenment	62,000		62,000
52,577	72,470	125,047	Reading Borough Council	60,760	80,000	140,760
1,073	3,128	4,201	Royal Berkshire Fire Authority	1,240	3,354	4,594
0	8,523	8,523	Thames Valley Police	-	9,139	9,139
			Charges to Collection Fund:			
0	12	12	Write-offs/(write-backs) of uncollectable amounts	617	(534)	83
722	975	1,697	Increase/(decrease) in allowance for impairment	1,385	1,512	2,897
(5,950)	(550)	(6,500)	Increase/(decrease) in allowance for appeals	1,400		1,400
(122)		(122)	Transitional Protection Payments Payable	-		-
272		272	Charge to General Fund for allowable collection costs for non-domestic rates	283		283
103,222	**84,793**	**188,015**	**Total amounts to be debited**	**129,485**	**94,400**	**223,885**
(10,200)	**(1,561)**	**(11,761)**	**(Surplus)/Deficit arising during the year**	**(1,183)**	**1,685**	**(502)**
6,200	207	6,407	(Surplus)/Deficit on the Collection Fund at 1 April 2017	(4,000)	(1,354)	(5,354)
(4,000)	**(1,354)**	**(5,354)**	**(Surplus)/Deficit on the Collection Fund at 31 March 2018**	**(5,183)**	**331**	**(4,852)**

(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 2017				31 March 2018		
Business Rates £000	**Council Tax £000**	**Total £000**		**Business Rates £000**	**Council Tax £000**	**Total £000**
(2,000)	-	(2,000)	Central Government	(2,591)	-	(2,591)
(1,960)	(1,163)	(3,123)	Reading Borough Council	(2,540)	286	(2,254)
(40)	(52)	(92)	Royal Berkshire Fire Authority	(52)	12	(40)
-	(139)	(139)	Thames Valley Police	-	33	33
(4,000)	**(1,354)**	**(5,354)**	**Total**	**(5,183)**	**331**	**(4,852)**

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.

2016/17	Non-domestic rateable value and multipliers	2017/18
£254,697,476	Non-domestic rateable value at 31 March	£314,251,028
49.7p	Business rate multiplier - standard rate	47.9p
48.4p	Business rate multiplier - small businesses	46.6p

Council Tax

Council Tax is charged on residential properties based upon valuation bandings established when the system was introduced in 1993. The number of properites in each band and calculation of the taxbase (adjusted to reflect relevant discounts and exemptions) was approved by Full Council In January 2017, and is summarised in the table below,

2017/18

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		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

2016/17

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,000	4,717	6/9	3,145
B	40,001 - 52,000	11,881	7/9	9,241
C	52,001 - 68,000	25,232	8/9	22,428
D	68,001 - 88,000	9,440	9/9	9,440
E	88,001 - 120,000	5,008	11/9	6,121
F	120,001 - 160,000	3,055	13/9	4,413
G	160,001 - 320,000	1,728	15/9	2,880
H	More than - 320,001	59	18/9	118
		61,120		57,786
			Adjustment	(6,736)
			Council tax base	51,050

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

- Reading Transport Limited (RTL);
- Homes for Reading (HfR);
- 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 2018 which equated to £490 (31 March 2017 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.

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 2017/18 is set out below:

- RTL: As at 31st March 2018, net assets excluding the Pension Liability were £13.19m (£14.16m in 2016/17).

- HfR: As at 31st March 2018, net assets were £3.09m (£0.00m in 2016/17).

- REDCO: The group's net assets were £nil (as at 31st March 2017 £nil); in 2017/18 the company broke even (2016/17: broke even).

- RHPP: At 31 March 2018 net assets were £1,000 (£1,000 in 2016/17).

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

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 of all of the group entities.

The **Group Cashflow Statement**, which consolidates the cashflow statements for the Council, HfR 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 and HfR 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 and HfR 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 ½% - 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 2017/18 for RTL is £2.9m (2016/17: £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. In prior periods this divergence with the Code has not been considered material; however, in the 2016/17 year RTL received grants of £1.389m which was considered to be material.

Accordingly, the group accounts were amended to comply with the Code. The effect of this adjustment was to increase grant income by £1.389m with a corresponding reduction in short-term creditors and long term lease liabilities of £0.049m and £1.34m respectively.

The grant income was subsequently reversed from the General Fund to the Capital Adjustment Account through the Movement in Reserves Statement. Although there were grant creditor balances totalling £0.288m, these were not adjusted for on the grounds of immateriality.

Group Comprehensive Income and Expenditure Statement

2016/17 Expenditure £000	2016/17 Income £000	2016/17 Net £000		2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net £000
67,918	(23,688)	44,230	Adult Care and Health Services	65,648	(26,668)	38,980
111,736	(94,621)	17,115	Corporate Support Services	113,034	(93,113)	19,921
167,804	(105,371)	62,433	Children, Education and Early Help Services	156,904	(106,796)	50,108
133,732	(41,234)	92,498	Environment and Neighbourhood Services	85,204	(43,180)	42,024
27,069	(28,396)	(1,327)	Transport Services	34,088	(29,931)	4,157
-	-	-	Housing Services	248	(242)	6
11,186	(41,673)	(30,487)	Housing Revenue Account	25,156	(41,423)	(16,267)
519,445	**(334,983)**	**184,462**	**Cost of Services**	**480,282**	**(341,353)**	**138,929**
		5,232	Other Operating Expenditure			(1,226)
		25,831	Financing and Investment Income and Expenditure			26,719
		(156,465)	Taxation and Non Specific Grant Income			(158,613)
		59,060	**(Surplus) or Deficit on Provision of Services**			**5,809**
		106	**Tax expense - Corporation tax payable**			**122**
		59,166	**Group (Surplus) or Deficit on Provision of Services**			**5,931**
		648	Valuation (gains)/losses in Fair Value of investments			(676)
		(57,882)	(Surplus)/deficit on revaluation of non current assets			(15,222)
		106,255	Actuarial gains/(losses) on pension assets/liabilities			(33,748)
		(369)	Deferred Tax on Pension Liability (RTL)			513
		48,652	**Other Comprehensive Income and Expenditure**			**(49,133)**
		107,818	**Total Comprehensive Income and Expenditure**			**(43,202)**

Group Movement in Reserves Statement

2016/17

	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 2016	(4,725)	(22,803)	(27,528)	(21,956)	(9,100)	(31,056)	(18,885)	-	(9,223)	**(86,692)**	(200,778)	**(287,470)**
Movement in reserves during 2016/17												
(Surplus) or deficit on the provision of services	82,214		82,214	(23,048)		(23,048)		-		**59,166**	-	**59,166**
Other Comprehensive Income / Expenditure											48,652	**48,652**
Total Comprehensive Income and Expenditure	**82,214**		**82,214**	**(23,048)**		**(23,048)**		-		**59,166**	**48,652**	**107,818**
Adjustments between group accounts and authority accounts	6,122	(2)	6,120							6,120	(6,007)	113
Adjustments between accounting basis and funding basis under regulations	(67,156)		(67,156)	20,747		20,747	(1,833)	-	512	**(47,730)**	47,730	-
Net Increase or Decrease before Transfers to Earmarked Reserves	**21,180**	**(2)**	**21,178**	**(2,301)**		**(2,301)**	**(1,833)**	-	**512**	**17,556**	**90,375**	**107,931**
Transfers to / from Earmarked Reserves	(14,419)	14,419		224	(224)							-
Increase or Decrease in 2016/17	**6,761**	**14,417**	**21,178**	**(2,077)**	**(224)**	**(2,301)**	**(1,833)**	-	**512**	**17,556**	**90,375**	**107,937**
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)**

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	Total Unusable Reserves £000	Authority's Share of Reserves of Subsidiaries £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)**
Restated Balance at 31 March 2017	2,036	(8,386)	(6,350)	(24,033)	(9,324)	(33,357)	(20,718)	-	(9,414)	**(69,840)**	(109,701)		**(179,541)**
Movement in reserves during 2017/18													
(Surplus) or deficit on the provision of services	14,051		14,051	(8,717)		(8,717)				**5,334**		**1,095**	**6,429**
Other Comprehensive Income / Expenditure											(48,606)	**(4,091)**	**(52,697)**
Total Comprehensive Income and Expenditure	**14,051**		**14,051**	**(8,717)**	**-**	**(8,717)**				**5,334**	**(48,606)**	**(2,996)**	**(46,268)**
Adjustments between group accounts and authority accounts	363	7	370							**370**	(299)	**2,996**	**3,067**
Adjustments between accounting basis and funding basis under regulations	(30,246)		(30,246)	5,780		5,780	(2,755)	(1,327)	(5,573)	**(34,121)**	34,121		**-**
Net Increase or Decrease before Transfers to Earmarked Reserves	**(15,832)**	**7**	**(15,825)**	**(2,937)**	**-**	**(2,937)**	**(2,755)**	**(1,327)**	**(5,573)**	**(28,417)**	**(14,784)**	**-**	**(43,201)**
Transfers to / from Earmarked Reserves	15,695	(15,695)	-	117	(117)	-							
Increase or Decrease in 2017/18	**(137)**	**(15,695)**	**(15,825)**	**(2,280)**	**(117)**	**(2,937)**	**(2,755)**	**(1,327)**	**(5,574)**	**(28,417)**	**(14,784)**		**(43,201)**
Balance at 31 March 2018	**1,899**	**(24,074)**	**(22,175)**	**(26,853)**	**(9,441)**	**(36,294)**	**(23,473)**	**(1,327)**	**(14,988)**	**(98,257)**	**(124,485)**		**(222,742)**

Group Balance Sheet

31 March 2017 (Restated for HfR) £000		Note	31 March 2018 £000
1,042,709	Property, Plant and Equipment	1	1,069,144
1,113	Heritage Assets		2,313
25,910	Investment Property		43,444
1,553	Intangible Assets		1,654
14,497	Long-Term Investments		11,510
2,224	Long-Term Debtors		11,980
1,088,006	**Long Term Assets**		**1,140,046**
440	Assets Held for Sale		50
583	Inventories		597
27,518	Short-Term Debtors	2	48,214
25,434	Cash and Cash Equivalents	3	33,536
53,975	**Current Assets**		**82,397**
(62,667)	Short-Term Borrowing		(81,408)
(71,232)	Short-Term Creditors	4	(68,108)
(7,479)	Short-Term Provisions		(19,906)
	Deferred Income		(1,265)
(9,632)	Grants Receipts in Advance - Capital		(23,450)
(151,010)	**Current Liabilities**		**(194,137)**
(14,963)	Long-Term Provisions		(1,226)
(288,291)	Long-Term Borrowing		(298,336)
(469,550)	Liability relating to defined benefit pension scheme		(464,188)
(38,628)	Other Long-Term Liabilities		(41,814)
(811,432)	**Long Term Liabilities**		**(805,564)**
179,539	**Net Assets**		**222,742**
(69,136)	Usable Reserves		(98,257)
(110,403)	Unusable Reserves		(124,485)
(179,539)	**Total Reserves**		**(222,742)**

Group Cash Flow Statement

2016/17		Note	2017/18
£000			£000
59,166	Net (surplus) or deficit on the provision of services		5,931
(108,081)	Adjustment to surplus or deficit on the provision of services for non-cash movements	5	(43,561)
34,616	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	5	35,056
(14,299)	**Net cash flows from operating activities**		**(2,574)**
39,032	Net cash flows from investing activities	6	29,133
(38,752)	Net cash flows from financing activities	7	(34,661)
(14,020)	**Net (increase) or decrease in cash and cash equivalents**		**(8,102)**
(11,414)	Cash and cash equivalents at the beginning of the reporting period		(25,434)
(25,434)	**Cash and cash equivalents at the end of the reporting period**		**(33,536)**

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 1 April 2015, 31 March 2016 and 31 March 2017 by the external valuer Sanderson Weatherall LLP, undertaken under the direction of Ian Vivian, MRICS.

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

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

Property, Plant and Equipment 2016/17

Movements to 31 March 2017

	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 2016	458,226	362,623	64,000	273,230	11,711	8,186	180	**1,178,156**
Additions	10,307	13,771	7,411	9,102	668	3,376	1,431	**46,066**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36,528	13,520	150	-	-	7,914	-	**58,112**
Derecognition – disposals	(1,662)	(7,269)	(5,512)	-	(1)	-	-	**(14,444)**
Reclassifications and transfer	-	(1,178)	(2,485)	-	-	7,640	-	**3,977**
Other movements in cost or valuation	934	-	(468)	-	-	-	325	**791**
at 31 March 2017	**504,332**	**381,467**	**63,095**	**282,332**	**12,378**	**27,116**	**1,936**	**1,272,658**
Accumulated Depreciation and Impairment								
at 1 April 2016	(6,150)	(68,287)	(32,435)	(66,866)	-	-	-	**(173,738)**
Depreciation charge	(7,401)	(8,705)	(4,830)	(25,585)	-	-	-	**(46,521)**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-			-	-	(230)	-	**(230)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	14,458	3,157	(46)	(33,931)	(75)	(348)	-	**(16,785)**
Derecognition – disposals	27	4	(433)	-	-	-	-	**(402)**
Reclassifications and transfers	-	1,884	1,329		-	-	-	**3,213**
Other movements in depreciation and impairment	(934)	1,030	4,418	-	-		-	**4,514**
at 31 March 2017	**-**	**(70,917)**	**(31,997)**	**(126,382)**	**(75)**	**(578)**	**-**	**(229,949)**
Net Book Value								
at 31 March 2016	**452,076**	**294,336**	**31,565**	**206,365**	**11,711**	**8,186**	**180**	**1,004,418**
Restated at 31 March 2017	**504,332**	**310,550**	**31,099**	**155,950**	**12,303**	**26,538**	**1,936**	**1,042,709**

Property, Plant and Equipment 2017/18

Movements to 31 March 2018

	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
at 1 April 2017	504,332	381,467	63,095	282,332	12,378	27,116	1,936	**1,272,658**
Opening balance adjustment		(1,120)		(703)				**(1,823)**
Adjustments to cost/value & depreciation/impairment	2,455		-		-	-	-	**2,455**
Additions	7,263	14,753	6,872	4,611	266	82	11,480	**45,327**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,007)	13,284	(418)	-	-	6,592	-	**15,451**
Derecognition – disposals	(1,421)	(463)	(19)	-	-	(6,876)	-	**(8,779)**
Reclassifications and transfer	(4,065)	(6,453)	-	-	-	5,129	1,285	**(4,104)**
Other movements in cost or valuation	(7,981)	-	-	-	-	(3,751)	-	**(11,732)**
at 31 March 2018	**496,576**	**401,469**	**69,529**	**286,240**	**12,644**	**28,292**	**14,701**	**1,309,451**
Accumulated Depreciation and Impairment								
at 1 April 2017	-	(70,917)	(31,997)	(126,382)	(75)	(578)	-	**(229,949)**
Opening balance adjustment		880						**880**
Adjustments to cost/value & depreciation/impairment	(2,454)		-	-	-	-	-	**(2,454)**
Depreciation charge	(7,982)	(8,907)	(2,392)	(18,453)	-	-	-	**(37,734)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	1,992	15,321	5	(1,541)	-	(2,800)	-	**12,977**
Derecognition – disposals	7	126	3	-	-	-	-	**136**
Reclassifications and transfers	455	4,022	-	-	-	(373)	-	**4,104**
Other movements in depreciation and impairment	7,982	-	-	-	-	3,751	-	**11,733**
at 31 March 2018	**-**	**(59,476)**	**(34,380)**	**(146,376)**	**(75)**	**-**	**-**	**(240,307)**
Net Book Value								
at 31 March 2017	**504,332**	**310,550**	**31,099**	**155,950**	**12,303**	**26,538**	**1,936**	**1,042,709**
at 31 March 2018	**496,576**	**341,993**	**35,149**	**139,864**	**12,569**	**28,292**	**14,701**	**1,069,144**

Note 2 - Debtors

Short Term Debtors

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

31 March 2017 £000		31 March 2018 £000
3,576	Central Government Bodies	5,951
1,320	Other Local Authorities	1,647
1,273	NHS Bodies	413
21,349	Other Entities and Individuals	40,204
27,518	**Total Debtors**	**48,214**

Note 3 - Cash and Cash Equivalents

31 March 2017 £000		31 March 2018 £000
25,434	Cash and Bank balances	33,536
25,434	**Total Cash and Cash Equivalents**	**33,536**

Note 4 - Creditors

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

31 March 2017 £000		31 March 2018 £000
(11,407)	Central Government Bodies	(13,346)
(2,149)	Other Local Authorities	(1,560)
(444)	NHS Bodies	(385)
(57,232)	Other Entities and Individuals	(52,817)
(71,232)	**Total Creditors**	**(68,108)**

Note 5 - 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 2017 £000		31 March 2018 £000
(1,621)	Interest received	(1,814)
15,699	Interest paid	14,410
14,708	**Total**	**12,596**

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

31 March 2017 £000		31 March 2018 £000
(50,599)	Depreciation	(39,598)
(12,328)	Impairment and valuation gain or loss	12,954
(111)	Amortisation	(860)
-	(Increase)/decrease in impairment for bad debts	-
(17,877)	(Increase)/decrease in creditors	6,064
(969)	Increase/(decrease) in debtors	18,737
65	Increase/(decrease) in inventories	14
(17,104)	Movement in pension liability	(28,769)
(9,759)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(9,827)
600	Other non-cash movements charged to the surplus or deficit on provision of services	(2,276)
(108,081)	**Total**	**(43,561)**

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

31 March 2017 £000		31 March 2018 £000
6,222	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,933
28,394	Any other items for which the cash effects are investing or financing cash flows	24,123
34,616	**Total**	**35,056**

Note 6 - Cash Flow from Investing Activities

31 March 2017 £000		31 March 2018 £000
70,779	Purchase of property, plant and equipment, investment property and intangible assets	67,634
3,352	Purchase of short-term and long-term investments	2,743
-	Other payments for investing activities	9,712
(6,222)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,165)
(28,577)	Other receipts from investing activities	(39,791)
39,032	**Net cash flows from investing activities**	**29,133**

Note 7 - Cash Flow from Financing Activities

31 March 2017 £000		31 March 2018 £000
(197,120)	Cash receipts of short-term and long-term borrowing	(129,600)
2,105	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	4,115
163,225	Repayments of short-term and long-term borrowing	97,257
(6,962)	Other payments for financing activities	(6,433)
(38,752)	**Net cash flows from financing activities**	**(34,661)**

Note 8 – Pensions Cost

The pension disclosures have been based on the actuary reports as at 31 March 2018.

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.

Transactions relating to post-employment benefits

i. Impact on Comprehensive Income & Expenditure Account

2016/17					2017/18			
RBC	RTL				RBC	RTL		
Funded	Funded	Unfunded	GROUP		Funded	Funded	Unfunded	GROUP
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement								
Cost of Services								
				Service cost comprising:				
17,614	2,360		19,974	Current service cost	26,472	1,700	-	28,172
245			245	Past service cost	7,156		-	7,156
-			0	(Gain) / loss from curtailments	-		-	0
-1,202			-1,202	(Gain) / loss from settlements and / or transfers	-1,913		-	-1,913
235			235	Administration expenses	234	9	-	243
			0	Other Operating Expenditure:				0
			0	Financing and Investment Income and Expenditure				0
11,838	502		12,340	Net interest expense	12,128	444	-	12,572
28,730	**2,862**	**0**	**31,592**	**Total charged to Surplus and Deficit on Provision of Services**	**44,077**	**2,153**	**0**	**46,230**

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:				
-44,093		-	-44,093	Return on plan assets (excluding the amount included in the net interest expense)	-6,450	154	-	-6,296
-7,180		-	-7,180	Actuarial gains and losses arising on changes in demographic assumptions	-	-1899	-	-1,899
159,884		1,351	161,235	Actuarial gains and losses arising on changes in financial assumptions	-26,349	-575	91	-26,833
-8,694	4,986	-	-3,708	Other movements in the liability / (asset)	-	1280	-	1,280
99,917	**4,986**	**1,351**	**106,254**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**-32,799**	**-1,040**	**91**	**-33,748**
128,647	**7,848**	**1,351**	**137,846**	**Total charged to the Comprehensive Income and Expenditure Statement**	**11,278**	**1,113**	**91**	**12,482**

2016/17					2017/18			
RBC	RTL				RBC	RTL		
Funded	Funded	Unfunded	GROUP		Funded	Funded	Unfunded	GROUP
				Movement in Reserves Statement				
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000

-28,730	-2,862	-	-31,592	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	-44,077	-2,153	-	-46,230
			0	Actual amount charged against the general fund balance for pensions in the year:				0
12,116	2,952	-	15,068	Employers' contributions payable to scheme	14,957	2,009	-	16,966
-		904	904	Benefits paid direct to beneficiaries	-		878	878

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

2016/17				Pensions Assets and Liabilities Recognised in the Balance Sheet	2017/18			
RBC	RTL				RBC	RTL		
Funded	Funded	Unfunded	GROUP		Funded	Funded	Unfunded	GROUP
£0	£0	£0	£0	£0	£0	£0	£0	£0
-815,967	-90,415	-12,001	-918,383	Present value of the defined obligation	-831,308	90,466	-11,214	-752,056
377,011	72,252	-423	448,840	Fair value of plan assets	396,033	-73,171	395	323,257
-438,956	**-18,163**	**-12,424**	**-469,543**	**Net (liability) / asset arising from the defined benefit obligation**	**-435,275**	**17,295**	**-10,819**	**-428,799**

iii. Reconciliation of the Present Value of the Scheme Liabilities

2016/17				Movements in the Fair Value of Scheme Liabilities	2017/18			
RBC	RTL				RBC	RTL		
Funded	Funded	Unfunded	GROUP		Funded	Funded	Unfunded	GROUP
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-643,725	-69,956	-11,554	-725,235	Opening balance at 1 April	-815,967	-90,838	-12,001	-918,806
-17,614	-2,360	-	-19,974	Current service cost	-26,472	1,700	-	-24,772
-23,703	-3,594	-	-27,297	Interest cost	-22,708	2,030	-	-20,678
-4,580	-96	-	-4,676	Contributions from scheme participants	-4,512		-	-4,512
				Re-measurement gains and losses:				
7,180		-	7,180	- Actuarial gains / (losses) from changes in demographic assumptions	-	-1899	-	-1,899
-159,884	-19,213	-1,351	-180,448	- Actuarial gains / (losses) from changes in financial assumptions	26,349	-575	-91	25,683
8,694	45	-	8,739	- Other	-	1,280	-28	1,252
-244		-	-244	Past service cost	-7,156		-	-7,156
16,480	4,336	904	21,720	Benefits / transfers paid	16,651	-2,546	878	14,983
1,429		0	1,429	Liabilities extinguished on settlements	2,507		0	2,507
-815,967	**-90,838**	**-12,001**	**-918,806**	**Balance as at 31 March**	**-831,308**	**-90,848**	**-11,242**	**-933,398**

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

2016/17				Movement in the Value of Scheme Assets	2017/18			
RBC	RTL				RBC	RTL		
Funded	Funded	Unfunded	GROUP		Funded	Funded	Unfunded	GROUP

£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
321,301	56,287	-	377,588	Opening fair value of scheme assets	377,013	72,252	2,689	451,954
11,866	17,398	-	29,264	Interest income	10,580	1,586	-	12,166
				Re-measurement gain / (loss):				
37,773	-79	-	37,694	- The return on plan assets, excluding the amount included in the net interest expense	6,450	-154	-	6,296
6,320	-21	-	6,299	Other gains / (losses)	-	-9	-	-9
12,116	2,952	904	15,972	Contributions from employer	14,957	2,009	878	17,844
4,580	96	-	4,676	Contributions from employees into the scheme	4,512	61	-	4,573
-16,480	-4,381	-904	-21,765	Benefits / transfers paid	-16,651	-2,574	-878	-20,103
-237		-	-237	Administration expenses	-234		-	-234
-227		-	-227	Assets Extinguished on Settlement	-594		-	-594
377,012	**72,252**	**0**	**449,264**	**Closing value of scheme assets**	**396,033**	**73,171**	**2,689**	**471,893**

Basis for estimating assets and liabilities

v. Principal Assumptions

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

Financial assumptions	**%**
Discount rate	2.8
Expected rates of return on plan assets:	2.8
Future salary increases	2.7
Future pension increases - pre 1997*	2.4
Future pension increases - 1997-2006*	2.9
Future pension increases	2.4
Inflation assumption (RPI)	3.7
CPI Increases	2.7

vi. Scheme Assets

RBC 2016/17 £'000	**RTL 2016/17 £'000**	**GROUP 2016/17 £'000**		**RBC 2017/18 £'000**	**RTL 2017/18 £'000**	**GROUP 2017/18 £'000**
183,920	25,404	209,324	Equities	184,147	21,913	206,060
	245	245	Gilts		0	0
56,193	7,459	63,652	Other Bonds	58,266	13,451	71,717
51,979	5,762	57,741	Property	53,506	6,178	59,684
39,550	29,383	68,933	Cash	64,324	30,221	94,545
38,939	2,426	41,365	Target Return Portfolio	15,819	646	16,465
6,249	198	6,447	Commodities	6,995	263	7,258
19,142	744	19,886	Infrastructure	25,405	767	26,172
-18,961	-635	-19,596	Longevity insurance	-12,429	-268	-12,697
377,011	**70,986**	**447,997**	**Total**	**396,033**	**73,171**	**469,204**

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
There is a detailed definition of related parties in FRS 8. 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 Statement Of Recommended 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.