

# Statement of Accounts 2015/16



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**Reading**  
Borough Council  
Working better with you

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## Narrative Foreword

### 1. An Introduction to Reading Borough Council

Reading is a thriving and diverse town, home to over 160,000 people living in about 70,000 households. The population has grown by 9% over the last 10 years and will continue to grow.

The Council's Corporate Plan set out the services and activity the Council plans to undertake over the next few years. It is informed by all the information the Council holds about the needs of residents including information about those in poverty. As the town changes the needs change and in some areas we are experiencing an increase in service demands alongside significant reductions in funding.

Whilst progress has been made in delivering priorities and in narrowing the gap there is ambition to do more for the communities that the Council serves. This is proving to be challenging given the need to balance the budget and reducing financial resources.

### 2. Head of Finance's Statement - Alan Cross

2015/16 was a challenging year for Corporate Support Services and Financial Services. It was a year in which we developed our systems and plans to deal with the impact of further resource reduction. However there have been a number of key areas of progression, notably:

- Enabling the Council to set a lawful budget despite a last minute larger than expected grant cut, and ensuring the Council's accounts were produced within the statutory deadline, despite resource constraints.
- Resource Panels have been established in both Adult & Children's Social Care Services, including finance staff that have been involved in challenging demand / use of agency through close working in particular with the Children's, Education and Early Help Directorate
- Improvements have been made to HR and payroll processes, with work to improve control over the establishment
- Work has been undertaken by Internal Audit to improve a range of financial and procedural controls in an initiative known as "Spending Appropriately"

Looking forward to 2016/17 Financial Services has a number of priority areas for focus in the coming year, most notably

- Ongoing work on medium term financial planning and addressing the budget gap to ensure a measure of Financial Sustainability to 2019/20 and beyond.
- Improvement and development of financial systems to facilitate improved financial management
- The implementation of improved "Purchase to Pay" processes

- Re-launch of financial guidance to managers together with appropriate finance training for non-finance managers
- Improvements to the timeliness of the accounts production process and conclusion of the audit
- Re-alignment of reducing resources to focus on the areas of highest risk with self-service for remaining areas

### 3. Council's Performance

The Corporate Plan for 2015/16 set out the Council's priority areas, as follows:

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

Operational Performance against these priorities is reported to the Policy Committee on a half yearly basis, (which is available on the Council's website). However, there continues to be a significant budget gap and this is referred to below in terms of the updated medium term financial plan.

In terms of Corporate Plan for 2016/17 this has been updated (see link below) and this sets out the key priorities going forward.

[http://www.reading.gov.uk/media/4621/Corporate-Plan-2016---19/pdf/Corporate\\_Plan\\_2016-19\\_-\\_Building\\_a\\_Better\\_Borough\\_\(subject\\_to\\_approval\).pdf](http://www.reading.gov.uk/media/4621/Corporate-Plan-2016---19/pdf/Corporate_Plan_2016-19_-_Building_a_Better_Borough_(subject_to_approval).pdf)

### 4. Financial Performance

#### Economic Climate

Over the last five years the Government has reduced Reading's funding. Demand for some services is growing and new responsibilities are being passed to the Council, sometimes with insufficient funding for these (e.g the Care Act). Further significant reductions are planned until 2019/20. In November 2015 the Autumn statement announced changes and further announcements were made in December 2015. The key highlights were:

- 2% levy on Council Tax to fund social care
- Full retention by local government as a whole of business rates starting from 2020

- Greater flexibility to use capital receipts to fund business transformation cost that produce on-going savings
- Public health savings 3.9% over next 5 years and funding for social care towards the better care fund
- National Funding Formula for schools being introduced from 2017/18 (subsequently postponed)

## Financial Management

### Revenue

The service expenditure, by directorate, compared with budgeted figures for 2015/16 is shown below:

	Budget	Outturn	Variance to budget
	£ '000	£ '000	£ '000
Adult Care and Health Services	38,766	39,270	504
Children, Education and Early Help Services	30,721	32,325	1,604
Corporate Support Services	11,896	12,992	1,096
Environment and Neighbourhood Services	33,849	32,039	(1,810)
	<u>115,232</u>	<u>116,626</u>	<u>1,394</u>
Capital Financing	11,200	8,147	(3,053)
Insurance	891	887	(4)
Property and Pensions Liability, Environment Agency Levy, Other Provisions and Cross-Cutting Savings	2,802	2,641	(161)
Total	<u>130,125</u>	<u>128,301</u>	<u>(1,824)</u>
Capitalisation	0	(884)	(884)
Grants	(4,041)	(5,159)	(1,118)
(Use of)/Addition to balances and reserves	(1,217)	2,609	3,826
Budget requirement	<u>124,867</u>	<u>124,867</u>	<u>0</u>

Overall the table shows the Council planned to spend £115.2m in service directorates but at the year end there was an over spend of £1.4m. However, this was after using the Strategic Demand Reserve of £3.75m in full which was more than was expected. In the original budget the Council envisaged drawing down around £1.3m usable reserves, but in the year changed its debt repayment policy to reduce capital financing costs and decided not to make contributions to the Equal Pay Provision and Organisational Change reserve. Together with other in year variances including an end of year capitalisation these changes meant that we were able to add £2.6m to balances and usable reserves which was broadly in line with what the Council decided to do in February 2016 to set the 2016/17 budget.

**Adult Care & Health Services** - After a contribution from the Strategic Demand Reserve, the Directorate's budget was over spent by £0.5m. This mainly arose because of service demands on the adult social care service, with significant pressures in the local Acute Hospital and community based services.

**Children, Education & Early Help Services** - The Directorate's budget was overspent because of significant pressure on children in care placements and the need to take on agency staff to ensure appropriate cover was in place to deliver essential services. In addition, the £1.9m strategic demand reserve had to be fully deployed to offset costs. There was some offsets against the overspending, notably a £0.9m underspend in Early Help services flowing from additional. Within the Schools block, there has been a need to carry forward an overall deficit mainly because of a £2.1m deficit on the high needs block, due to demand.

**Corporate Support Services** - The Directorate was overspent by £1.1m. This arose because of additional child care legal costs flowing from increased caseloads in Children's Services and a shortfall between housing benefit expenditure and subsidy entitlement. These pressures were in part offset by smaller underspends and increased income across a range of other services within the Directorate.

**Environment & Neighbourhood Services** - The Directorate underspent its budget by £1.8m. Some of this arose from has one-off in-year savings that are not expected to recur in future years, along with better than expected income generation in some areas. These more than compensated for the housing bed and breakfast budget being overspent £0.5m at the year end, reflecting the continued pressure for, and cost of, emergency homeless placements

**Capital Financing & Other non service lines** - The Underlying capital financing position was better than forecast, with borrowing and borrowing costs lower, and investments and investment returns higher than budget, but the main reason for the £3.1m underspend was a change to the debt repayment policy agreed as part of 2016/17 budget setting.

Non service lines include various property and pension liabilities as well as the NNDR Levy. The Council continues to have a pension fund deficit, and the draft position includes allowances to meet costs that will fall due for payment that are unlikely to be covered by other resources in the near future. Overall the year end Capitalisation, for which there was a capital budget in place enabled the movement of the General Fund balance to be better that was planned in February, which will provide some flexibility to help manage 2016/17.

## Housing Revenue Account Performance

The Housing Revenue Account (HRA) shows income and expenditure on Council Housing; the table shows a comparison between the budget and actual:

	Budget	Outturn	Variance to budget
	£ '000	£ '000	£ '000
Repairs	14,805	12,859	(1,946)
Management	16,265	15,340	(925)
Capital	10,600	10,203	(397)
Total expenditure	41,670	38,402	(3,268)
Rents and Service Charges	36,230	37,872	1,642
PFI Allowance/Grant	3,997	3,997	0
Interest and General Fund contribution	146	289	143
Total income	40,373	42,158	1,785
Net expenditure	1,297	(3,756)	(5,053)
HRA balance b/f	15,087	18,345	
HRA balance c/f	13,790	22,101	

Overall the HRA shows an underspend on expenditure budgets of £3.3m; management costs were £0.9m less than budget and £1.9m less than budget was spent on repairs. Income was £1.7m better than forecast, because rent recovery remained strong and there was an improvement in void turnaround times. Overall the HRA balance increased by £3.7m, but over the 30 year life of the HRA business plan we currently expect all current resources to be needed to keep the housing to quality standards tenants reasonably expect.

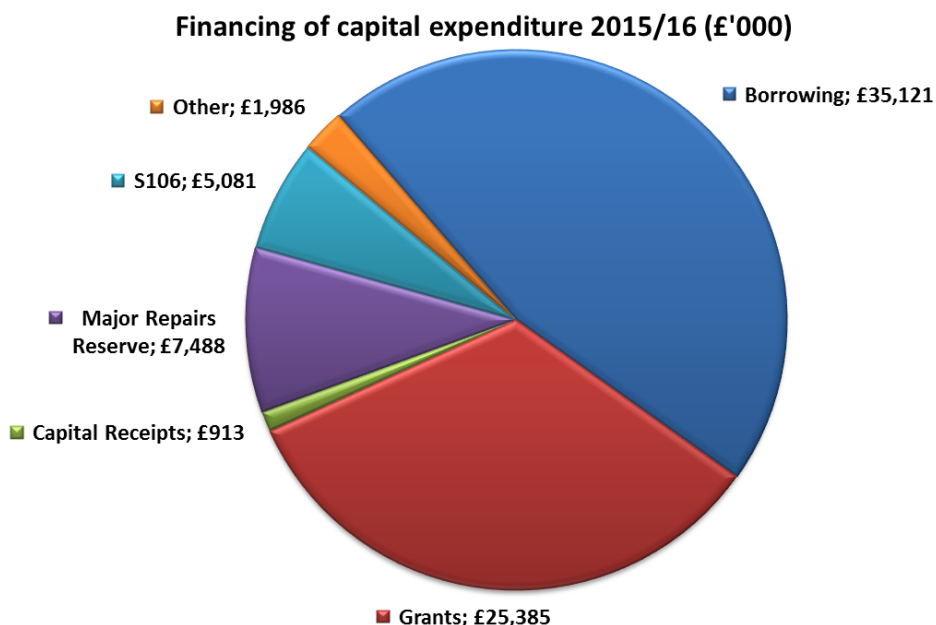
## Collection Fund

The Council is required to maintain a separate Collection Fund showing the amounts collected through from council tax and business rates. This income is transferred in accordance with budget decisions to the General Fund and Fire & Police Precepting bodies, together with some (72% of) business rates income being transferred to central government. At the year end the Collection Fund had a surplus of £0.8m (a surplus of £1m on the business rates element was in part offset by a deficit of £0.2m on the Council Tax element of the fund). In comparison at 31 March 2015 there had been a £5.1m surplus (Council Tax - £2.2m, Business Rates - £2.9m), but this had largely been taken into account in setting the budget for 2015/16. The Income and Expenditure Accounts shows only the Council's share of the Collection Fund transactions.

### Capital Spend and Borrowing

The Council's capital spending in the year amounted to £75.4m; this was largely associated with a number of priority areas as noted within the Corporate Plan. Full details are set out in note 19, page 74.

The chart below shows how the 2015/16 capital programme has been funded:



The capital outturn in 2015/16 by priority area and funding is shown below

	Budget £'000	Actual £'000
Safeguarding & Protect Vulnerable	3,295	1,590
Providing best life through education, early help and healthy living	35,413	39,020
Providing homes for those most in need	13,032	9,807
Keeping the town clean, safe, green and active	8,505	4,548
Providing infrastructure to support the economy	11,677	15,490
Remaining financially sustainable to deliver these service priorities	7,473	4,932
<b>Total</b>	<b>79,395</b>	<b>75,387</b>
HRA	13,887	10,417
General Fund	65,508	64,970
Funded by:		
Grant	18,090	25,385
S106 Receipts & Other Contributions	3,530	6,264
Borrowing	43,858	35,121
Other (mainly HRA/MRA)	13,917	8,617
	<b>79,395</b>	<b>75,387</b>



Changes between budget and actual are largely explained by slippage of expenditure from 2014/15 to 2015/16 or 2015/16 to 2016/17 or in the case of housing expenditure the need to review the HRA new build programme following Central Government changes to rent policy. In some cases additional expenditure was incurred as extra funding became available from government or third parties (reflected in the change of use of grant, S106 and other contributions financing from budget to actual). Details on future capital programme -& major schemes are included on the link below:

[http://www.reading.gov.uk/media/4931/Appendix-10---Capital-Programme/pdf/Appendix\\_10\\_-\\_Capital\\_Programme.pdf](http://www.reading.gov.uk/media/4931/Appendix-10---Capital-Programme/pdf/Appendix_10_-_Capital_Programme.pdf)

### **Pension Liabilities**

The Local Government Pension Scheme for Berkshire is administered by the Royal Borough of Windsor and Maidenhead on behalf of the other Berkshire Authorities. The Pension Fund notes have been prepared in accordance with International Accounting Standard 19 (Employee Benefits). There is no net effect on the outturn position in 2015/16, although there is a net pension liability within the Balance Sheet of £334m (2014/15: £351m). Full details are set out in note 31, page 82.

### **Financial Challenges in 2016/17 and Outlook**

The Council's Medium Term Financial Plan (MTFP) for the period 2016/17 to 2018/19 was approved by Council in February 2016 as part of setting the 2016/17 budget. The plan sets out savings that have been agreed and further budget reductions to be found over the next three years, assuming Council Tax at 2016/17 levels.

The Council's medium term modelling has been updated to reflect the provisional four year Funding Settlement announced in December 2015. This also takes into account inflation, pensions, capital financing and national insurance changes as well as allowances for specific and general risks. The latest Council estimates are that after all identified and agreed savings have been delivered we will have a funding gap of around £41m to 2019/20 and the Council is developing further its three year financial plan during 2016/17 with the aim of bringing forecast expenditure in line with expected income. Our approach to this was agreed by Council at its October 2016 meeting. Reports are periodically presented to the Council's Policy Committee setting out the latest position.

The budget for 2016/17 included £11.5m of savings measures in that year and £21.7m of measures over the following two years, some of which were at an early stage of development. One off measures of £6.8m were required to balance the budget overall, because of the late notification of revenue support grant reduction which was much higher than had been forecast.

Details of the MTFP can be found on the Council's website at [www.reading.gov.uk](http://www.reading.gov.uk).

### **Service Delivery**

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

## Balance Sheet

Despite the challenges in some ways the Authority's balance sheet position strengthened, with net assets increasing by £99m. However, this improvement largely arose from valuation gains in the asset portfolio, and the usable reserves fell by £7m, and of these reserves that can be used on day to day expenditure after taking account of that which is committed in the 3 year forward plan only £6m remains (the organisational change reserves and 4 specific smaller reserves) together with the General Fund Balance of £5.6m).

As at 31st March 2015 £ '000		As at 31st March 2016 £ '000
859,232	Non-current assets	985,535
6,807	Net current assets	(43,524)
(696,970)	Long term liabilities and provisions	(673,588)
<u>169,069</u>	<b>Net assets</b>	<u>268,423</u>
<b>Represented by:</b>		
98,329	Useable Reserves	90,721
70,740	Unuseable Reserves	177,702
<u>169,069</u>		<u>268,423</u>

The balance sheet is a position statement at the end of the financial year. It shows what the Council owns (assets) and the money we owe (liabilities). The net assets of the Council are represented by various reserves; that have built up over time (dating back to the 19<sup>th</sup> century). As indicated above most of these reserves cannot be used to pay for day to day services and are valuation gains or accounting adjustments associated with the Council's asset base and pension liabilities.

## Treasury Management & Cash Flow

Full details of the Treasury Management policy, the Treasury outturn report, borrowing facilities and investments are available on the Council's website at <http://www.reading.gov.uk>.

Cash and equivalents was £8.3m as at 31 March 2016, (reduced from £26.5m a year earlier). The changed cash position largely reflected the Council's treasury policy of relying on "internal borrowing" (i.e. using the underlying cash and reserves of the Council to pay for long term assets, rather than external borrowing) in the present interest rate climate. The main factors which impact cash are:

- Acquisitions and disposals relating to the capital programme
- The value of reserves balances
- Appeals provisions
- Grants and contributions unapplied

The reason for the high level of cash and short term investments as at 31 March 2015 was due to borrowing being undertaken in advance of the significant step up in the capital programme in 2016/17.

	31st March 2015	31st March 2016
	£m	£m
Cash and other cash equivalents	27	8
Short Term Investments	15	0
Total	42	8

As indicated above whilst £35m of "borrowing finance" was used to pay for the capital programme, no new borrowing was actually undertaken, indeed £7m borrowing was repaid, as money borrowed in earlier years (that was held as cash or short term investments at the beginning of the year) was used to pay for this expenditure.

5. **Provisions, Reserves, contingencies and material write offs.**  
There have been no material write offs during the year and no new provisions have been created during the year. **Post-balance sheet events.** The Council has recognised no non-adjusting post-balance sheet event in the year.
6. **People**  
Headcount for the Authority is 4,259, including schools.
7. **Principal Risks and Uncertainties**  
The Council's Corporate Risk Register is periodically presented to the Audit & Governance Committee.
8. **Explanation of Accounting Statements**  
The remainder of this report provides a brief explanation of the financial aspects of the Council's activities, and draws attention to the Council's financial position and performance for the financial year 2015/16 (unless covered by the above). Final accounts for the Council for the year ended 31<sup>st</sup> March 2016, and explanatory notes, are included on pages 33 to 117

The Statement of Accounts has been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code specifies that the following statements must be produced:

The Core Statements are:

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. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The [Movement in Reserves Statement](#) shows the movement in year on the different reserves held by the Council, analysed into general reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, further details of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts chargeable to the General Fund balance and the Housing Revenue Account for Council Tax and Dwellings Rent setting purposes. The 'Net

increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from the earmarked reserves.

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

Supplementary Financial Statements are:

The [Housing Revenue Account \(HRA\)](#) records the Council's costs and income in its role as a housing landlord, as defined in Schedule 4 of the Local Government and Housing Act 1989 and in accordance with the HRA (Accounting Practices) Directions 2011. It shows the major elements of housing revenue expenditure: maintenance, administration, and capital financing costs and how these are met by rents and other income.

The [Group Accounts](#) provides a Comprehensive Income and Expenditure Account, Group Balance Sheet, movement of reserves statement and cash flow statement for the Council and its subsidiaries: Reading Economic Development Company, Queens Road Car Park Company, Acre Road Industrial Estate, and Reading Transport Limited.

The [Notes](#) to these financial statements provide more detail about the Council's accounting policies and individual transactions.

The [Annual Governance Statement](#) accompanies the accounts and will be signed by the Managing Director and the Leader of the Council, after being approved by the Audit and Governance Committee; it explains the arrangements the Council has put in place for corporate governance, which underpins the wider management of the Council's corporate governance arrangements.

## **Annual Governance Statement**

### **1.0 WHY WE HAVE THIS DOCUMENT**

- 1.1 The Council is required to publish an Annual Governance Statement (AGS), with its Statement of Accounts. This outlines how the authority has monitored and evaluated the effectiveness of our governance arrangements in the year, and the planned changes in the coming period.

### **2.0 WHAT GOVERNANCE IS LIKE IN THE COUNCIL (THE SCOPE)**

- 2.1 We are responsible for ensuring that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.

### **3.0 THE PURPOSE OF OUR GOVERNANCE FRAMEWORK**

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which we are directed and controlled, and the activities through which we are accountable to, engage with and lead our communities. This enables us to monitor the achievement of the Council's priorities in the Corporate Plan and other key strategies to improve service delivery and to test and consider that these continue to provide value for money.
- 3.2 Our governance framework has been in place for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

### **4.0 OUR GOVERNANCE FRAMEWORK**

#### **Political Leadership**

- 4.1 Councillors make decisions that set the policy direction of the Council are elected by residents of the Borough for a four year term to represent them in taking decisions about services and funding. Reading is divided into 16 wards and 46 members are elected to represent them, with one third of councillors (who normally have a political party affiliation) being elected in three of every four years.
- 4.2 Normally, the political party that has the largest number of councillors forms an Administration and therefore has a greater influence on key decisions within the Council. The Council appoints a Leader of the Council, Deputy Leader of the Council, lead councillors and chairs of the committees and Mayor at the Annual General Meeting. There are nine

lead councillors who have particular responsibilities or 'portfolios' such as Health, Housing and Adult Social Care.

- 4.3 The Council and the Committees shape what services are delivered and how Reading develops and grows sustainably. The Council is responsible for approving the priorities for the Council each year through the Corporate Plan supported by the resources in the Council's Budget and Financial Plan. The Council and Committees also develops policies, makes constitutional decisions and decides on local legislation.

### Our Approach

- 4.4 The Council has developed a set of guiding values to help decision making and agree priorities:

- **Fair**
  - tackling inequality and promoting residents' rights
  - ensuring residents are part of decision making
  - ensuring our staff have enough support
- **Caring**
  - putting residents at the heart of what we do
  - working with residents to look after each other
  - unlocking the power of our communities
- **Enterprising**
  - acting now to create a better future

- 4.5 For 2015/16 onwards we adopted 6 service priorities to focus our efforts to help narrow the gaps within Reading:

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

- 4.6 To deliver these priorities within the Corporate Plan there is a continued focus on the Council's contribution to narrowing what the gaps are within Reading. We have ensured that the funding and other resources we have available, such as our property and our people, are aligned to these priorities for the coming year.

## Good decision-making

4.7 Councillors sit on a variety of committees, which oversee and guide the organisation's different functions. These are mostly open to the public. There are four cross-party committees whose membership is proportionate to the representation of each political party on the Council.

These committees are:

- Policy Committee.
- Housing, Neighbourhoods & Leisure Committee.
- Adults, Children's & Education Committee.
- Strategic Environment, Planning & Transport Committee.

4.9 In the committee arrangement the four standing committees also carry out overview and scrutiny exercises. All the committees set goals and guidelines for the operation of services.

4.10 There are also committees for:

- Audit & Governance
- Planning
- Licensing
- Personnel

4.11 Traffic Management Sub-Committee considers relevant issues on behalf of the SEPT committee. The regulatory committees - Licensing Applications and Planning Applications - together with the Audit and Governance, Personnel, and Standards Committees have continued as committees of full Council. In addition, a Health and Wellbeing Board has been set up as a committee of full Council. The Heights Free School sub-committee has also been established to exercise delegated powers in respect of any proposal that may be made by the Education Funding Agency (EFA) as its preferred site for The Heights free school on land owned by the Council in West Caversham.

## Constitution

4.12 Our Constitution sets out the roles of, and relationships between the Council, the committees involved in making our policies and officers. The Constitution also sets out the responsibility of each group or individual for making particular types of decisions or for director decisions relating to particular responsibilities. Under the Constitution, all decisions that we make or that are made on our behalf must be made in line with the principles and frameworks set out in the Constitution.

4.12 The Constitution also sets out how members of the public can get involved in the decisions we make (under the 'Access to Information Rules'). We have a legal responsibility to carry out consultations before we make certain decisions.

### Day-to-day operations

- 4.13 The day-to-day work is carried out by officers within the Council. Their direction comes from Council and the Committees. Officers are employees of the Council and are non-political and ensure that the work is carried out as decided by Council and the Committees.
- 4.14 Some officers have statutory duties that they must uphold. Our Managing Director is 'Head of Paid Service' and is responsible for the organisation's efficient management. The role also involves giving Members strategic advice on policy-related issues, drawing on the experience and expertise of the organisation as a whole. All officers must provide objective, comprehensive and impartial advice to councillors so that they can rely upon this to make decisions.
- 4.15 The remaining statutory roles of Monitoring Officer, Chief Financial Officer, (statutory) Director of Adult (Care and Health) Services & (statutory) Director of Children's, (Education and Early Help) Services are fulfilled by relevant members of the Corporate Management Team. The role of Director of Public Health is fulfilled by one person for all authorities in Berkshire who is employed by Bracknell Forest BC.
- 4.16 Through our recruitment and learning and development we ensure that officers have the right skills and experience to ensure that governance is strong and they understand the requirement of legislation and how this needs to be considered when making recommendation to councillors and when delivering services.

## 5. HOW WE COMMUNICATE WITH AND INVOLVE STAKEHOLDERS

- 5.1 We welcome views from the residents and businesses as part of the constitutional process. Communication and consultation is important to us. It is vital we keep people informed of the work we do, the proposals we put forward that may affect them, and the decisions we make. These views are considered through formal and informal consultation processes, attendance at local meetings (e.g. community meetings) or contact with local ward councillors. Trades unions are consulted on issues that affect staff.
- 5.2 During the last year we have continued to work hard to communicate (and receive feedback on) our aims for the community. During the 2015/16 financial year, we:
- Carried out major consultations on both a possible location for a new primary school in the north of the Borough, on behalf of the Education Funding Agency
  - Consulted on a major package of budget proposals. Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify £42 million worth of savings over the 2017-20 period.



- Continued to communicate effectively with people so they understand the reasons why the Council needs to make these savings. We have been and will continue to provide opportunities for Reading people to get involved in the decision-making process so their views play a major part in helping to set spending priorities
  - Devoted our annual community event to identifying priorities and actions that we, our partners and residents can take to together to address the issues that concern everyone: 'Tackling Poverty', 'Narrowing the Gap' and 'The Housing Crisis - Reading's Response: A Call to Action' have been the most recent themes. The outcomes of those events are reflected in the Corporate Plan 2016-19: Building a Better Reading.
  - Have made significant developments to our website which mean customers can now register for an account and track enquiries with the Council at a time that is convenient to them
- 5.3 We get regular and detailed information on what people think about the quality of each of our services and we use this feedback to improve services.

## 6.0 KEY STRATEGY DOCUMENTS

- 6.1 We continue to review and update the **Constitution** as necessary and have updated the Scheme of Delegation, Financial Procedure Rules and operational and financial delegations to reflect the changes following restructuring of services within the Council. Moving forward a programme of work continues to keep operational and financial delegations and procedures which underpin the Council's constitution up to date. The driver for this review is to have shorter and clearer policies for staff as far as is practical.
- 6.2 The Council's **Corporate Plan** provides the link between our strategic priorities and the way in which the Council operates. The Corporate Plan and the Council's budget to support the delivery of the Council's service priorities for 2016-2019 were approved by full Council in February 2016. The priorities within the Corporate Plan form the basis of our spending plans over the next three years with an on-going need to reduce our budget further. Therefore, this plan and the budget will continue to be updated every year to take account of changes.
- 6.3 The overall budget and policy framework is set by the Council and all decisions are made within this framework. The medium term financial plan is incorporated as part of the Corporate Plan.

## 7.0 INTERNAL AUDIT AND EXTERNAL AUDIT ASSURANCE

- 7.1 The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its external auditors (KPMG 2014/15 & Ernst & Young 2015/16).
- 7.2 The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively.
- 7.3 The role of External Audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, external audit also provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.

### Internal Audit

- 7.4 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards. During 2015/16 a self-assessment of compliance was undertaken and no significant areas of non-compliance were found. Compliance with these standards is externally assessed on a cyclical basis.
- 7.5 One of the assurance statements the Council receives is the annual opinion of the Chief Auditor in respect of the Council's control framework, including governance and risk management. The opinion of the Chief Auditor in respect of the audit work completed in 2015/16 is that the Council's internal control systems in the areas audited is satisfactory and processes to identify and manage risks are in place, with some exceptions where improvements have been recommended and agreed.
- 7.6 Those audits which received limited assurance opinions, whilst not material in the Council's overall risk management, Governance and internal control framework, are set out below:
- Adult Social Care income & charging
  - Fuel dispensing system
  - Fleet management inc. grey fleet (driver licence & insurance checks)
  - Fostering and Adoption
  - Receivership (Financial Deputies)
  - Section 106 Planning Contributions (in 2016/17 see 8.23 below)
  - Two schools (St Anne's Catholic Primary School and Reading Girls School) received limited assurance opinions and recommendations were made to strengthen the design and application of their internal control frameworks

In each case managers have agreed to make improvements to address the audit issues identified.

## External Audit

- 7.7 The Council's external auditor prior to 2015/16, KPMG, issued an unqualified opinion on the Council's 2014/15 financial statements on the 30 September 2015 and unqualified value for money conclusion for the financial year 2014/15 also on 30 September 2015.
- 7.8 KPMG's report included an update to a continuing recommendation relating to implementing an improved fixed asset register. The Council had in principle committed to move capital accounting to the Atrium Property System but have not yet reached and resourced that development within the system.
- 7.9 EY have been appointed as the External Auditor by the Audit Commission for 2015/16, and their opinion appears elsewhere in these accounts.

## 8.0 KEY GOVERNANCE CHALLENGES

### Setting a Budget for 2016/17

- 8.1 Due to the significant alteration to the way government funding to local authorities changed without prior warning just before Christmas 2015, the Council had an unexpected budget gap of more than £5m in the 2016/17 financial year. To bridge that immediate gap we used some one-off funding measures to set a budget and will be returning to agree longer term measures during the year.
- 8.2 The use of one-off measures to set the budget for 2016/17 has provided us with some limited time to consult on and deliver the further compensatory savings that are needed to enable us to set safe budgets in future years. These savings formed part of the 4 year Financial Sustainability Plan that the Council approved in October 2016 and submitted to Government in order to provide some certainty over future Revenue Support Grant (RSG) settlements.
- 8.3 The Council will have to continue to change the way it operates to deal with reductions in funding as we protect as many vital services as we can with the focus on narrowing the gaps within Reading. The Corporate Plan and the Budget provides an important framework for us to do this. Because of the amount of money we will have to save, through the course of 2016, councillors will be presented with further options and proposals to reduce spending and to focus on what services we can continue to deliver with our remaining budget. The first package of savings measures was agreed (subject to consultation) at the July 2016 Policy Committee.

### Workforce Challenges

- 8.4 Some services within the Council have experienced high staff turnover over the last year, and at times an over reliance on temporary agency staff. On occasions this has meant it has been more difficult to maintain continuity of service. This is a particular issue within social care services; especially within Children's services some teams have had up to 80% agency staff. To address this we have both launched initiatives for staff to retrain and develop to work in areas where we know recruitment can be challenging and embarked on a major recruitment drive to ensure we have stable team of (mainly) employed staff in key services where staff continuity is vital to good service delivery.

### Information Governance

- 8.5 The way in which we utilise, manage, retain, share and dispose of our information are the core components of robust information governance. We are aware of our responsibilities and have engaged with the ICO data governance guidance in a positive way, recognising that it takes time and resources to react to the changing requirements. We strive to address and minimise the level of risk within the authority, against the backdrop of the constantly evolving regulatory environment in which information governance requirements are set, but that's not to say there isn't room for improvement.
- 8.6 We also recognise the importance in maintaining compliance with the Payment Card Industry Data Security Standard (PCI DSS), which is vital to the long-term success of all merchants who process card payments. This includes continual identification of threats and vulnerabilities that could potentially impact the Council and its services.

### Key financial and information systems

- 8.7 With continuing budget savings to find, having a better understanding and control over the shape and make up of our staffing establishment (the total number of roles/ jobs in the Council) is essential. A complete staffing establishment for the Council is being developed with robust processes and controls around recruiting to vacancies and employment of temporary staff.
- 8.8 Following the major upgrade to our financial management system in 2014/15 more work needs to be done to improve business processes and control including maintaining up to date reconciliations. As a result we are updating processes to ensure they work effectively and efficiently, and help deliver some of the savings that were anticipated from the upgraded financial system.

- 8.9 During the past year the Accounts Payable Team responsible for processing payments has experienced a backlog. There were multiple causes for this, including the changed financial system, staff sickness and issues associated with insufficiently robustly embedded processes that worked efficiently. The Council initially increased staffing levels temporarily to make sure payments were made on time, and is now in the process of updating processes to ensure they work effectively and efficiently, and help deliver some of the savings that were anticipated from the upgraded financial system.
- 8.10 MOSAiC is the Council's Social Care System. It has also been upgraded during 2015/16 from a predecessor systems (framework-i) supplied by the same supplier. Whilst the upgrade has generally improved the information available, we have identified that considerably more work needs to be done to benefit fully from the investment and there will be an on-going project throughout 2016/17 to further develop the system, particular in relation to Children's Services, where at an earlier stage some decisions had been made to limit the use of the system. The Council has identified a new cross directorate officer project board chaired by the Director of Children, Education & Early Help to ensure this work proceeds effectively.

### Transformation programmes

- 8.11 A number of priority programmes are in place to transform services to meet service needs and reduce costs. Within Children's Education and Early Help Services work has been commissioned to, complete research and analysis in the following areas of change:
- Refreshing partnerships with schools and other key partners
  - Enhancing early help, prevention and early intervention
  - Reviewing SEN and disability services
  - Managing demand for Children's Social Care services
- 8.12 This will enable the council to design and implement a programme of change. This work complements work-streams currently in train within the directorate to improve the quality of services and deliver savings.
- 8.13 Within Directorate of Adult Care and Health Services an ambitious three-year transformation programme is underway to:
- Deliver a new model of care delivery for the Directorate and associated services in Reading.
  - Adopt service approaches that maximise independence and self-care and prioritise preventative activity as opposed to the present emphasis on reactive crisis response.
  - Through delivering the necessary efficiencies, deliver a model of care that will help to ensure that the service remains safe, viable, deliverable within decreasing budgets, and fulfils the statutory functions of Reading Borough Council.

- 8.14 The programme will deliver transformation, improve the quality of service and deliver efficiencies. A robust governance structure is in place, reporting into the Adult Social Care Transformation Programme Board, to ensure delivery of the transformation programme, and projects within it.
- 8.15 The Children's Services Improvement Plan will continue to be monitored and reported alongside this project to DCEEH Transformation Board.
- 8.16 One of the key financial control issues impacting the Council's budget over the long term is ensuring that only appropriate commitments are entered into, particularly for social care services, as these commitments can last many years and in some cases (particularly in Children's Services) be individually very costly. To improve governance of this, both Adults and Children's Services have established resource /solutions panels that incorporate senior professionals and other key staff (including finance staff) to consider and agree (including the timing of reviews) what the Council should spend.

### Better Care Fund

- 8.17 In Reading, we have a history of pooling health and social care budgets to deliver improved outcomes, and have developed governance arrangements appropriate for integrated care. These have been refreshed to establish joint governance arrangements covering both our Better Care Fund and Care Act implementation programmes.
- 8.18 The primary accountable board for the Better Care Fund schemes across Reading is the Reading Integration Board. This is chaired jointly by the Head of Adult Social Care at Reading Borough Council and the Operations Directors for the Berkshire West Clinical Commissioning Groups.
- 8.19 Reading's Health and Wellbeing Board has strategic oversight of our plans to develop more integrated services within the Borough.
- 8.20 For projects that span all three unitary authorities in Berkshire West (Wokingham Borough Council and West Berkshire Council as well as Reading Borough Council), accountability is held with the Berkshire West Integration Board, with the Berkshire West 10 Delivery Group acting as the programme board on their behalf.
- 8.21 As many of our Better Care Fund schemes span all three unitary authorities and all four CCGs across Berkshire West, as well as local projects specific to particular unitary authority areas, we have established robust governance structures for working across the sub-region. The Reading Locality Board is the Reading Integration Board.

## Procurement & Commissioning

8.22 The procurement work programme is monitored through the Procurement Governance Board which is chaired by the Director of Adult Care and Health Services and is also reported through the Senior Leadership Group performance monitoring process. The regular highlight reports identify the status of procurement exercises:

- In Progress
- Overdue for initiation - usually where existing contract terms have expired and the contract is held over pending a fresh procurement
- Due to be started in the coming 6/12 months to give early warning of potential resource bottlenecks and co dependencies with other priorities.

## Collection of Section 106 Planning Contributions

8.23 During 2015/2016 a council employee fraudulently diverted two s106 contributions due to the Council into his private bank account, totalling £42,000. Following an investigation the employee was charged and convicted under the Fraud Act. A subsequent audit highlighted inherent weaknesses in the administration of the billing and collection of developer S106 contributions, which have been acknowledged by senior management and appropriate controls are now being put in place.

## 9.0 MONITORING AND MANAGING SERVICES

9.1 We continue to monitor and manage our service delivery as part of good governance within the Council, and during 2015/16 we:

- Introduced a new corporate performance monitoring and reporting programme which has improved and strengthened our overall approach to performance to further promote a performance culture;
- Further developed compliance with information security standards;
- Ensured the Audit and Governance Committee undertook its responsibility for monitoring the effective development and operation of corporate governance in the Council;
- Kept safeguarding practices and performance under continuous review at all levels and that escalation processes are in place;
- Responded to external audit and challenge as well as internal themed audits and performance is regularly reported to the Corporate Management Team;
- Undertook a Peer Review of the Health and Wellbeing board to reflect upon our practices;
- Analysed complaints raised under the Council's Corporate Complaints Policy and reported and considered them at CMT along with learning from complaints

- Approved a new Corporate Asset Management Plan (CAMP) at Policy Committee which identified work streams to deliver capital receipts and rationalised and more cost-effective property portfolio.
- Continued to monitor following corporate and service reviews improvement plans for Finance and Children's Services
- Launched the "Reading Offer" to make sure our staff terms and conditions, development opportunities are equitable and comprehensive, and can ensure that we can recruit and retain staff in our present operating context
- Implemented a programme of learning and development to officers and members. Senior officers are keep abreast of developments in their profession;
- Continued to develop our training needs analysis to assess any potential skills shortages, single points of reliance and also staff that could be deployed in other areas of the organisation if required. The prioritised training needs analysis will inform what training and support is available to all staff but also particularly those whose roles have changed or are going to change to minimise potential risks. There will be an emphasis on shared learning to be managed within existing resources;
- Begun work to map the Council's current and planned activity against a set of agreed organisational development principles and objectives, with a view to developing a long term Organisational Development plan taking the Council to 2020
- Developed our online and social media presence
- Launched a new website as a platform for delivering more of our services online and to enable customers to register for an account and track enquiries. As of April 2016 14,000 customers had signed up for e-billing for council tax, and all new customers are encouraged to operate their council tax account in this way.

9.2 We have made progress in implementing actions contained within the 2014/2015 Annual Governance Statement. Some of the actions identified last year have been completed:

- Introduced cost effective solutions to meet the demand for safe and adequate emergency accommodation and mitigate the growing pressure on the B&B budget through a Homelessness Strategy to prevent homelessness and to ensure appropriate accommodation is available for those who are or may become homeless
- Continued work to accelerate progress and reduce the school attainment gap. The Educational Ambition and Achievement Strategy 2015-2018 and its associated Implementation Plan for Raising Standards were both approved and Reading First Partnership formally established
- Progress on the implementation of the SEND Reforms is on target to enable schools to meet the needs of children and young people with higher levels of need



- The Council has continued to refine and simplify processes and procedures and will provide guidance and training to staff to ensure that controls are embedded throughout the organisation. Including:
  - Purchase to Pay (PTP) is underway.
  - HR processes to make changes to the establishment, new starters, changes to an existing employee, working patterns, notice of leaving, recruitment request etc. redesigned and on line for self-serve by staff
  - Implemented procedure rules for financial processes setting out the consequences of not complying with the approved process. The purpose of these procedure rules is to ensure proper process is followed and the Council can demonstrate it is spending appropriately
- Completed a Council wide review of the use of vehicles and fleet in general to ensure compliance with legislation and that value for money is achieved
- Delivered the requirements of the Local Government Data Transparency Code 2015 which sets out the requirement for Councils to publish key information

9.3 All other actions are in the plan and most are on-going and reflected in the implementation plan in the appendix.

## 10.0 CONCLUSION AND PRIORITIES FOR IMPROVEMENT

10.1 The arrangements continue to be regarded as fit for purpose in accordance with the governance framework, significant governance issues are identified in our improvement plan.

10.2 The annual review of governance provides evidence of how effective our governance framework is. As a result, we have put in place an improvement plan as mentioned at 9.3 above. Over the next year we will be taking steps to continue to improve what we do.

10.3 We are satisfied that these steps will bring about the improvements that we identified in our review of effectiveness, and we will monitor these improvements as part of our next annual review.

Signed:..... Signed:.....

S F Warren Interim Managing Director    Councillor Jo Lovelock, Leader of Council

On behalf of the members and officers of Reading Borough Council

Appendix A AGS Improvement Plan

Ref	Action	CMT Lead	Due date
AGS 1	Develop, manage and deliver a budget and financial management strategy to operate within available resources over the period to 2019/20. Draft four year financial sustainability plan to be submitted to government	Managing Director	Financial Sustainability Plan due 14 October 2016 Ongoing delivery
AGS 2	Strengthen financial and budget management throughout Council services and provide effective financial management support considering reducing budgets and the changing nature of income	Head of Finance	Ongoing work through to March 2017
AGS 3	Delivering Children's Service Transformation Plan - Ensure staffing and capacity in Children's Services	Director of Children, Education & Early Help Services	Ongoing work through to June 2017
AGS 4	Map the council's current and planned activity against a set of agreed organisational development principles and objectives, and develop a long term Organisational Development plan taking the council to 2020 - what we are going to do within available resources and what outcomes are expected	Director of Adult Care & Health Services	Ongoing work through to March 2017
AGS 5	Continue to undertake work on embedding the policy, delivery, governance and monitoring arrangements for Health & Safety.	Managing Director	Ongoing
AGS 6	Continue to develop our commissioning, procurement and contract management and DACHS transformation programme to deliver improvements	Director of Adult Care & Health Services	Ongoing
AGS 7	Continue to undertake work to further improve information management and the Council's data protection policy and reduce the risk of loss of data. Including N3 health integration and Payment Card Industry Data Security Standard (PCI DSS) compliance. Implement action plan to include appropriate staff training (see AGS 12 below) to comply fully with information governance requirements	Head of Legal & Democratic Services	Dec 2016

Ref	Action	CMT Lead	Due date
AGS 8	Given the risks presented via the significant changes being delivered and further cost reduction activity across the Council, the Corporate Management Team will continue to closely monitor the operation of the Council's control environment	Managing Director	Ongoing
AGS 9	Review and embed project management / governance gateway to improve governance over projects are more widely introduced across the council	Head of Customer Services	December 2016
AGS 10	Succession Planning - Introduce and monitor arrangements to ensure an efficient and effective handover for senior management, particularly related to the role of Managing Director during 2016/17	Managing Director Head of Legal & Democratic Services	June 2016 (handover) Autumn 2016 (recruitment)
AGS 11	Continue with both adult and children's social care Resource Panels to manage demand and ensure appropriate service provision, delivering services within statutory requirements and operating within budget	Director of Adult Care & Health Services/ Director of Children, Education & Early Help Services	Ongoing
AGS 12	Development of a staff on line training programme for Information security, Finance and HR Management supported by up to date policies and procedures, subject to annual review in 2016/17	Director of Adult Care & Health Services	2016/17
AGS 13	For the purpose of care integration and the sharing of person identifiable data with NHS systems, we are undertaking a self-assessment using the Department of Health IG Toolkit and an improvement plan is in place to ensure requirements are complied with	Director of Adult Care & Health	2016/17

## **Independent auditor's report to the members of Reading Borough Council**

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Reading Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund; and related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Reading Borough Council, 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 the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and Auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 32, the Chief Finance Officer 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently

materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

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

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **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 written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on Reading Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

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

## **Auditor's responsibilities**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the 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 2015, as to whether Reading Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The 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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

## **Basis for Adverse Conclusion**

### **Informed decision making**

- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance information
- We found that the financial and performance information used by the Council is not always accurate and reliable and therefore did not help informed decision making. This is demonstrated by the financial position that the Council currently finds itself in and the need for significant savings.
- Reliable and timely financial reporting that supports the delivery of strategic priorities

We found that the financial reporting was not reliable as it did not identify the amount of the financial pressures that the Council faces in 2016/17 and in particular the overspends in Children's services.

- 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 was not timely. This increases the risk of fraud errors remaining undetected. The Council recognise the need to improve financial controls.

#### Sustainable resource deployment

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

We found that planned action had not been taken to achieve sustainable savings during 2016 that may have prevented the need for significant savings to be made as a matter of urgency in the 2016/17 budget.

- 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 have accepted the findings of the Inspection and are developing a response to it and will be helped by the appointment of a Commissioner for Children's Services.

### **Adverse conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are not satisfied that, in all significant respects, Reading Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Maria Grindley  
Executive Director  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Reading  
17 November 2016

## **Statement of Responsibilities**

### **The Authority's responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, for 2015/16, that Officer was the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Arrange for the approval of the Statement of Accounts at the conclusion of the audit; in this Authority, the approval is delegated to the Audit and Governance Committee.

### **The Chief Financial Officer's Responsibilities**

The Chief Financial Officer is responsible for the preparation of the authority'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.

During the financial year and up to 6 October 2016 the Head of Finance, was the Chief Financial Officer. Since 6 October 2016 the Interim Director of Finance has been the Chief Financial Officer

## **Approval of the Accounts**

The financial statements, and accompanying notes, set out on pages 33 to 117, have been prepared and published in accordance with the Accounts and Audit Regulations 2015.

These statements give a true and fair view of the financial position of Reading Borough Council as at 31<sup>st</sup> March 2016, and of its income and expenditure for the financial year 2015/16.

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Rachel Musson ACCA & Alan Cross CPFA  
Interim Director of Finance & Head of Finance, Reading Borough Council  
17<sup>th</sup> November 2016.



## Core Financial Statements

### Movement in Reserves Statement - summary

	Total General Reserves £ '000	Total Unusable Reserves £ '000	Total Authority Reserves £ '000
Balance at 31st March 2014	78,865	122,184	201,049
Total comprehensive income and expenditure	44,197	(76,177)	(31,980)
Adjustments between accounting basis and funding basis under regulation	(24,733)	24,733	0
Net increase/(decrease) before transfers to earmarked reserves	19,464	(51,444)	(31,980)
Transfer to/(from) earmarked reserves	0	0	0
Increase/(decrease) in year	19,464	(51,444)	(31,980)
Balance at 31st March 2015	<u>98,329</u>	<u>70,740</u>	<u>169,069</u>

	Total General Reserves £ '000	Total Unusable Reserves £ '000	Total Authority Reserves £ '000
Balance at 31st March 2015	98,329	70,740	169,069
Total comprehensive income and expenditure	40,053	59,301	99,354
Adjustments between accounting basis and funding basis under regulation	(45,607)	45,607	0
Net increase/(decrease) before transfers to earmarked reserves	(5,554)	104,908	99,354
Transfer to/(from) earmarked reserves	(2,054)	2,054	0
Increase/(decrease) in year	(7,608)	106,962	99,354
Balance at 31st March 2016	<u>90,721</u>	<u>177,702</u>	<u>268,423</u>

A full breakdown of the Movement in Reserves Statement is provided in Note 15, page 59

## Comprehensive Income and Expenditure Statement (CIES)

2014/15 Net expenditure £ '000 (Restated)		Gross expenditure £ '000	2015/16 Gross income £ '000	Net expenditure £ '000
46,937	Adult Social Care	63,342	(15,829)	47,513
1,472	Central Services to the Public	2,957	(2,244)	713
44,267	Childrens' and Education Services	172,438	(112,260)	60,178
1,107	Corporate and Democratic Core	2,198	(51)	2,147
12,245	Cultural and Related Services	21,537	(8,864)	12,673
14,806	Environmental and Regulatory Services	23,323	(8,510)	14,813
13,006	Highways, Roads and Transport Services	27,332	(12,700)	14,632
(37,173)	Housing Services	39,800	(122,161)	(82,361)
2,228	Planning Services	3,920	(2,082)	1,838
1	Public Health	12,308	(11,640)	668
9,554	Other Services	12,686	(13,182)	(496)
918	Non-distributed Costs	5,575	0	5,575
<b>109,368</b>	<b>Cost Of Services</b>	<b>387,416</b>	<b>(309,523)</b>	<b>77,893</b>
	<b>Other Operating Expenditure</b>			
112	Levies payable			115
806	Payments of Housing capital receipts to Government pool			921
(7,938)	(Gain)/loss on disposal of non current (fixed) assets			3,277
<b>(7,020)</b>				<b>4,313</b>
	<b>Financing and Investment Income and Expenditure</b>			
14,205	Interest element of debt, finance leases and PFI			14,006
16	Premium on early repayment of debt			19
11,147	Net interest on Defined Benefit Liability			11,506
(1,536)	Investment Interest income			(1,595)
1,362	Changes in fair value of investment properties			(2,426)
(173)	(Gains)/loss on disposal of investment properties			5,082
(1,154)	Rentals received on investment properties			(1,420)
115	Expenses incurred on investment properties			0
<b>23,982</b>				<b>25,172</b>
	<b>Taxation and Non-Specific Grant Income</b>			
(66,492)	Council Tax			(70,350)
(27,522)	National Non-Domestic Rates			(29,823)
(33,179)	Revenue Support Grant			(24,295)
(6,306)	Non service related revenue grants and contributions			(6,027)
(37,028)	Non service related capital grants and contributions		(Note 25)	(16,936)
<b>(170,527)</b>				<b>(147,431)</b>
<b>(44,197)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(40,053)</b>
(3,887)	(Surplus)/deficit on revaluation of non current assets			(23,826)
272	Valuation (gains)/losses in Fair Value of investments			(158)
79,792	Actuarial remeasurements			(35,317)
<b>76,177</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(59,301)</b>
<b>31,980</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(99,354)</b>

## Core Financial Statements

### Balance Sheet

31 <sup>st</sup> March 2015 £ '000	Note	31 <sup>st</sup> March 2016 £ '000	31 <sup>st</sup> March 2016 £ '000
328,531		399,644	
247,352		291,700	
10,045		8,992	
206,232		213,183	
11,539		11,711	
5,000		4,895	
808,699	<b>Property, Plant and Equipment</b>		930,125
825	Heritage Assets	917	
32,033	Investment Property	29,046	
258	Intangible Assets	190	
4,728	Available for Sale Financial Instruments	11,886	
4,014	Long Term Investments	4,027	
8,675	Long Term Debtors	9,344	
50,533			55,410
859,232	<b>Long Term Assets</b>		985,535
15,000	Short Term Investments	0	
154	Inventories	254	
37,060	Short Term Debtors	28,202	
26,528	Cash and Cash Equivalents	8,324	
6,347	Assets Held for Sale (< 1 year)	3,291	
85,089	<b>Current Assets</b>		40,071
944,321	<b>Total Assets</b>		1,025,606
(9,525)	Short Term Borrowing	(21,074)	
(57,749)	Short Term Creditors	(51,038)	
0	Deferred Income	(1,622)	
(11,008)	Grant Receipts in Advance	(8,841)	
0	Short Term Lease Liabilities	(1,020)	
(78,282)	<b>Current Liabilities</b>		(83,595)
(866,039)	<b>Total Assets less Current Liabilities</b>		942,011
(33,777)	Long Term PFI Lease Liabilities	(31,760)	
(11,120)	Provisions	(13,320)	
(301,116)	Long Term Borrowing	(294,522)	
(350,957)	Liability relating to Defined Benefit Pension Scheme	(333,986)	
(696,970)	<b>Long Term Liabilities</b>		(673,588)
169,069	<b>Net Assets</b>		268,423
	<i>Financed by:</i>		
	<b>General reserves</b>		
23,935	- Capital Grants Unapplied	9,223	
9,753	- Capital Receipts Reserve	18,885	
37,457	- Earmarked reserves	31,462	
	- General Fund:		
3,217	Schools	3,427	
5,622	Non-schools	5,621	
18,345	- Housing Revenue Account	22,103	
98,329			90,721
	<b>Unusable reserves</b>		
(272)	- Available for Sale Financial Instruments Account	(114)	
340,712	- Capital Adjustment Account	411,173	
3,342	- Collection Fund Adjustment Account	4,754	
239	- Deferred Capital Receipts	1,893	
813	- Financial Instruments Account	422	
(350,957)	- Pensions Reserve	(333,986)	
79,698	- Revaluation Reserve	98,084	
(2,835)	- Short-term Accumulated Compensated Absences Account	(2,874)	
0	Unequal Pay Back Pay Account	(1,650)	
70,740			177,702
169,069	<b>Total Reserves</b>		268,423

Rachel Musson ACCA, 17<sup>th</sup> November 2016

Cashflow Statement

31st March 2015 £ '000		31st March 2016 £ '000
44,197	Net surplus or (deficit) on the provision of services	40,053
23,576	Adjust net surplus or deficit on the provision of services for non-cash movements (Note A)	5,722
(44,091)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	(28,576)
<u>23,682</u>	Net cash flows from Operating Activities	<u>17,199</u>
(2,094)	Investing Activities (Note C)	(34,047)
(5,779)	Financing Activities (Note D)	(1,356)
<u>15,809</u>	Net increase or decrease in cash and cash equivalents	<u>(18,204)</u>
10,719	Cash and cash equivalents at the beginning of the reporting period	26,528
26,528	Cash and cash equivalents at the end of the reporting period	8,324

Notes to the Cashflow statement are provided in note 34, page 89.

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**1. Statement of Accounting Policies**

**i. Introduction**

The Council prepares accounts for a financial year ending 31<sup>st</sup> March; this Statement of Accounts details the financial performance of the Council for 2015/16, and the balance sheet position as at 31<sup>st</sup> March 2016.

The accounts are prepared in accordance with the proper practices set out in the Accounts and Audit Regulations 2015, primarily the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('The Code'), and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRSs).

The following accounting policies are consistent with these requirements. Where there was a degree of uncertainty over the actual monetary value of an item, estimates have been used. Any estimates have been determined by considering all relevant facts and their impact on the Council's accounts.

**ii. Accruals**

Income and expenditure is accrued for in the year in which the supply occurs, rather than when the transfer of cash actually happens.

When income or expenditure is recognised, but the cash has not transferred, a debtor (where income has been recognised) or creditor (where expenditure has been recognised) for the relevant amount is included in the balance sheet. Where there is uncertainty regarding the payment of a debt, the balance is written down and an equivalent charge made to revenue for the income that may not be collected.

**iii. Cash and Cash equivalents**

Cash is represented by cash in hand, and deposits with financial institutions which are repayable on demand, without incurring penalties. Cash equivalents are deposits that mature within 3 months of the original investment date, and are readily convertible to known amounts of cash with an insignificant risk of a change to its value.

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 Authority's cash management policy.

**iv. Exceptional items**

Material, one off, items of income and expenditure are disclosed separately within the Net Cost of Services in the Comprehensive Income and Expenditure Statement. If the item has a significant impact on the position of Council, further details will be set out in a note to the accounts.

**v. Employee benefits**

- **Benefits payable during employment**  
Under the terms of IAS 19, the Council is required to accrue for the cost of short term benefits due to employees, but untaken as at 31<sup>st</sup> March. These benefits include amounts for untaken annual leave, flexi-time and time off in lieu. Amounts corresponding to the value of these untaken benefits are charged to the individual services, but then reversed out through the Movement in Reserves Statement, ensuring that it has no impact on the Council's overall financial position. It is not expected that these amounts will be converted to direct cash payments to employees.
- **Pension and retirement benefits**  
As part of the terms and conditions of employment of its Officers and other employees, the Council offers membership to one of the three pension schemes in which it participates. Although the benefits from these will not arise until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in three different pension schemes:

- a) Teachers' Pension Scheme, an unfunded scheme administered by Capita on behalf of the Department for Education (DfE).
- b) Local Government Pension Scheme (LGPS), a funded scheme administered by the Royal Borough of Windsor and Maidenhead. As it is a funded scheme, both the Council and Employees contribute to the scheme at levels intended to balance the pension liabilities with the investment assets of the scheme.
- c) National Health Service Pension scheme, an unfunded scheme for NHS staff; the Council makes payments to this scheme for former PCT staff who transferred over to the Authority as part of the transfer of responsibilities for Public Health. The figures for this scheme are immaterial for the Accounts, and so are not disclosed separately.

In accordance with The Code and IAS 19 ('Employee Benefits'), these statements incorporate the Council's assets and liabilities based on its future pension commitments. The Scheme Actuary calculates the cost of retirement on an annual basis; therefore these Accounts reflect the costs of providing retirement benefits to employees in the accounting period in which they are earned by the employees, as well as the related finance costs and any other changes in valuations that occur within the financial year. Actuarial gains and losses are recognised within the 'Other Comprehensive Income and Expenditure' section of the Comprehensive Income and Expenditure Statement.

Details of the scheme assets, liabilities and payments to the funds are set out in note 31 to these accounts.

**vi. Equal pay backpay**

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 of this cannot be accurately quantified at present. In part, the Council has taken advantage of the Local



Authorities Capital Finance and Accounting Regulations that provide discretion not to charge the full provision to the accounts, and the extent of this is disclosed in the accounts.

**vii. Events after the balance sheet date**

If an event occurs between the balance sheet date and the approval of the accounts which has an impact on the financial position, the Council is obliged to assess the impact, and adjust the accounts as necessary.

Two types of post-balance sheet events exist:

- Those that provide clearer evidence of the actual conditions prevailing at the balance sheet date - the Accounts would be adjusted to reflect this information
- Those where an event has occurred subsequent to the balance sheet date, but which has not materially altered the actual position of the Council at this date - this would be explained in a note to the Accounts.

**viii. Financial Instruments**

Loans raised by the Council, mainly through the Public Works Loans Board (PWLB) in accordance with their circular, are pooled. All interest is charged to the Comprehensive Income and Expenditure Statement. The Housing Revenue Account (HRA) is charged with interest based on the actual loans held by the Council (2015/16 average rate of interest: 3.25%) taking account of 'internal borrowing'.

As part of its interest and debt management, on occasion the Council repays loans before their maturity date; usually receiving a discount or incurring a premium. Such gains and losses on premature repayment of debt are recognised in the Comprehensive Income and Expenditure Statement in the year they occur, unless they meet the modification test in The Code (i.e. the present values of the debt restructured has not changed significantly). Otherwise they are adjusted through the Financial Instruments Adjustment Account (FIAA) in accordance with statutory criteria. Where PWLB borrowing is repaid and replaced on the same day, gains and losses are amortised using the effective interest rate method provided the modification test criteria set out in the Code are met. For financial assets and liabilities carried at fair value, the fair value has been determined using discounted cash flow analysis

**ix. Foreign Currency transactions**

All transactions within these accounts are in sterling; where the Council has carried out a transaction in a foreign currency, the transaction has been converted to sterling on the basis of the exchange rate at the time of the transaction.

**x. Government Grants and Contributions**

Government grants and third party contributions are recognised as income within the Accounts when the Council is reasonably sure that:

- It will comply with the conditions attached to the payments
- The contribution or grant will be received.

Income is only recognised in the Comprehensive Income and Expenditure Statement once any conditions attached to the contribution or grant are 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.

Any contributions received where the conditions have not been met are held as receipts in advance on the balance sheet; when the conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Grant balances in excess of the expenditure actually incurred are then reversed out through the Movement in Reserves Statement.

**xi. Heritage Assets**

Heritage assets are held solely on the ground of their cultural, historical or scientific importance. When a value can be reliably ascertained for heritage assets, they are held on the balance sheet at that value, although this is subject to a £10,000 de minimis limit.

If the asset cannot be valued, or the costs involved in obtaining a valuation would not be commensurate with the additional benefits this would provide the user of the accounts, the nature and importance of the asset have been disclosed in appendix 1 to these accounts, but they are not included in the balance sheet. The Council's policy regarding the acquisition and disposal of assets for the museum is available online on the [Reading Museum website](#).

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.

**xii. Intangible Assets**

Intangible assets are non-financial items which do not have a physical form, but it has been identified that the Council can expect to benefit from in the future, for example software licences. The Council recognises both current and non-current intangible assets on its balance sheet.

As no active market exists for the majority of the Council's non-current intangible assets, they are initially valued at cost, and then amortised over their useful economic life (typically 2 to 5 years for software licences). Amortisation and impairments are charged to the relevant service within the Comprehensive Income and Expenditure Statement. This is then reversed out of the General Fund via the Movement in Reserves Statement.

**xiii. Interests in companies**

The Council has reviewed the relationships it has with its partner organisations to determine which should fall within the scope of the group. Whilst the Council has interests in four companies, only Reading Transport Limited has material transactions and balances, and so is consolidated within the group accounts (pages 102 to 117).

The Council is also a trustee for a number of charitable land holdings; these rely on revenue support from the Council. Whilst immaterial, these are consolidated into the group accounts for completeness.

**xiv. Inventories and work in progress**

Inventories held at 31<sup>st</sup> March are included within the balance sheet at the lower of cost and net realisable value.

**xv. Investment properties**

Properties owned by the Council for the purposes of income generation or capital appreciation, rather than service delivery, are classified on the balance sheet as investment properties.

Investment properties are initially valued at fair value, but their value reviewed annually and all material changes reflected in a revaluation. Gains or losses upon revaluation are recognised within the financing and investment income line within the Comprehensive Income and Expenditure Statement, as are rental incomes. Revaluation gains are reversed out of the General Fund through the Movement in Reserves Statement.

**xvi. Leases**

The Council is involved in agreements by which equipment, land and buildings are leased from other organisations and leased out to organisations and individuals.

All material leases have been assessed against the tests of control set out in the Code. Where these tests have changed the classification of the lease in comparison to its classification under the former Statement of Recommended Practice, adjustments have been made to ensure that the financial statements reflect the current classification.

Council as lessee

- *Finance leases*

Property, plant and equipment are recognised on the balance sheet at the inception of the lease at the lower of fair value of the asset, or the present value of the minimum lease payments. The asset recognised is matched with a liability for the lease payments to the supplier. Lease payments made in year are split between:

- an element writing down the lease liability over the life of the lease, and
- a finance charge to the Comprehensive Income and Expenditure Statement.

- *Operating leases*

Rentals due under an operating lease are charged in full to the Comprehensive Income and Expenditure Statement on a straight line basis. No asset or liability is recognised in the balance sheet.

Council as lessor

- *New finance leases*

For all new finance leases, the relevant asset is written out of the balance sheet as a disposal, with the carrying amount transferred to the Comprehensive Income and Expenditure Statement along with the gain or loss on disposal. This is matched by a long term debtor on the balance sheet. As capital receipts cannot be used to increase the general fund balance, premia received have to be transferred to the Capital Receipts reserve through the Movement in Reserves Statement. Lease income is split between:

- a charge for the acquisition of the leased item which is used to write down the long term debtor, and
- finance income, credited to the Comprehensive Income and Expenditure Statement.

- *Operating leases*

If the Council grants an operating lease, the asset remains within the Council's balance sheet, and the rental payments received are credited to the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement.

**xvii. Overhead and support service recharges**

All costs of overheads and support services are apportioned to those areas that benefit from the supply or service. This is done in accordance with the principles set out in the CIPFA Service Reporting Code of Practice (SeRCOP). The most commonly used apportionment bases are:

Cost	Apportionment basis
Staff	Officer's use of time
Administrative buildings	Area occupied
IT	Use of computer resources

**xviii. Prior period adjustments, changes to accounting policies and estimates and materiality**

Prior period adjustments may be required as a result of a change in accounting policy, or to correct a material error. Material errors discovered in prior year figures are corrected retrospectively by adjusting the opening balances and all affected comparative figures.

Changes to accounting estimates are not changes to accounting policy, and so only require changes to be made in the current and future years, rather than requiring a prior period adjustment.

The accounting policies of the Council are only changed when required to by proper accounting practices or the change provides more reliable or relevant information regarding the financial position of the Council. When a change is made, it is applied retrospectively, unless stated otherwise, so that the financial statements reflect the position the Council would have been in if the policy had always been in place.

There may be exceptions to the full application of these accounting policies to enable more efficient preparation where the differences are not material to the accounts overall.

**xix. Property, plant and equipment**

Any physical assets owned by the Council that are used for the provision of services, rather than held for the generation of income, are classified as property, plant and equipment (PPE).

- **Recognition**  
Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that the benefits provided to the Council last for longer than one year.
- **Measurement**  
Assets are initially valued at cost, which comprises the purchase price, plus any costs to get the assets to the final location and operating as intended by management.

Assets are held on the balance sheet according to the following valuations bases:

Asset type	Valuation basis
Infrastructure, community assets and assets under construction	Depreciated historic cost
Dwellings	Fair value based on existing use value for social housing
All other PPE assets	Fair value based on existing use value

Where there is no market evidence for a fair value, primarily due to the specialised nature of the asset, depreciated replacement cost (DRC) is used in lieu of the fair value.

The Council's assets are revalued on a five-year rolling programme, unless it has become apparent that due to a change in conditions, an interim revaluation is required. Any increases in valuations are credited to the revaluation reserve to recognise the unrealised gain.

Where decreases in valuations (impairments) occur, these are accounted for by:

- Reduction of the value of the revaluation reserve for that asset (if one exists) to zero if necessary.
- If there are no unrealised gains in the revaluation reserve for that asset, or the impairment is greater than the total revaluation reserve for the asset, the balance of the impairment is written down against the various service lines in the Comprehensive Income and Expenditure Statement.

The revaluation reserve contains unrealised gains recognised since 1<sup>st</sup> April 2007. Gains and losses recognised prior to 1<sup>st</sup> April 2007 are consolidated within the Capital Adjustment Account.

Depreciation is provided for on all assets, with the exception of land, assets under construction, and investment properties. Depreciation is normally calculated on the basis of the following asset lives:

Asset type	Useful economic life (years)
Major new buildings on Council-owned land	40 - 60
Major extensions to existing buildings and major remodelling of infrastructure	20 - 40
Major refurbishment of existing buildings	20
Major transport infrastructure	30
Other transport capital expenditure	15
Small items of capitalised expenditure	3 - 10
Vehicles	5 - 7

Items of PPE valued at over £1m will be assessed when revalued to see whether any separately identifiable components need to be recognised. Components will only be recognised where the value is at least £0.2m, and the remaining useful economic life of the component is significantly different to that of the host asset. When an item of PPE has separately identifiable components, the components are depreciated separately.

For HRA housing assets, whilst this threshold does not apply at an individual dwelling level, the Council intends to implement a component based approach to depreciation of the stock as a whole from the 2016/17 financial year.

Where a revaluation gain has been recognised, this is depreciated; the charge is equal to the difference between the current value depreciation charged on the asset and the depreciation that would be charged if an historic cost basis had been used.

Where there is expenditure on enhancement of PPE, if in year expenditure is less than 10% of the asset value it is impaired and shown as a historic impairment.

#### **Assets held for sale and disposals**

The Code includes a class of assets: 'non-current assets held for disposal'; when assets are being actively marketed, and the disposal is expected to occur within the next 12 months, the asset is reclassified as a non-current asset held for disposal. Prior to reclassification, the asset is revalued, and then carried at the lower of the revaluation and the fair value less costs of disposal. If there is a subsequent decrease in the fair value less disposal costs, the loss is charged to the 'other operating expenditure' within the Comprehensive Income and Expenditure Statement.

If it becomes clear that the asset no longer meets the criteria for Assets Held for Sale, it is reclassified back to non-current assets and valued at the lower of their carrying amount prior to being classified as being held for sale (adjusted for depreciation, amortisation or revaluations that would have been incurred if the original reclassification had not occurred), and their recoverable amount at the date of the decision not to sell.

Receipts from the disposal of assets in excess of £10,000 are classed as capital receipts.

For receipts resulting from the disposal of housing land and properties, a proportion is payable to the Government, this amount is shown within the Comprehensive Income and Expenditure Statement; the retained portion is credited to the Capital Receipts Reserve. Part of the sales receipts are required to be used to fund affordable housing or regeneration projects.

**xx. Private Finance Initiative (PFI) and similar contracts**

The Council is involved with two PFI schemes: one with Affinity (Reading) Limited for the management of housing stock in North Whitley, the other with WRG Limited for waste disposal.

IFRIC 12 requires the Council to assess the level of control each party has within the contract; the result of this assessment is that both of the Council's PFI schemes are recognised on the Council's balance sheet. The in-year charges are split between a service charge element (chargeable to the relevant service line within the Comprehensive Income and Expenditure Statement), interest (chargeable to interest payable and similar charges within the Comprehensive Income and Expenditure Statement) and an debt repayment element.

**xxi. Provisions, contingent liabilities and contingent assets**

- Provisions

Provisions are made when an event occurs that gives the Council a legal or constructive obligation that is likely to require settlement by a transfer of money or service potential, and a reliable estimate can be made of the magnitude and timing of the obligation.

Provisions are charged to the appropriate service line(s) in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation, and are the best estimate of the value as at the balance sheet date. The eventual payment is charged to the balance sheet provision. Provisions are reviewed each year, with the balance increased or decreased as required. Subject to statutory adjustments, details of the provisions made by the Council are set out in note 28, page 80.

- Contingent liabilities

A contingent liability is recognised when an event occurs which gives the Council a possible obligation, but the existence of the liability will only be confirmed by uncertain future events over which the Council does not have sole control. Contingent liabilities are disclosed as a note to the accounts; in 2015/16, the Council recognised no material contingent liabilities.

- Contingent assets

A contingent asset is recognised when an event occurs which gives the Council a possible asset, but the existence of the asset will only be confirmed by uncertain future events over which the Council does not have sole control. Contingent assets are disclosed as a note to the accounts, see note 33, page 89.

**xxii. Reserves**

The Council sets aside specific amounts for specific policy purposes or to future eventualities. The reserve is created via the Movement in Reserves Statement; when expenditure is incurred that is to be funded from the reserve, the expenditure is recognised within the relevant service line in the Comprehensive Income and Expenditure Statement, with the reserve being appropriated back to the General Fund via the Movement in Reserves Statement, so there is no net Council Tax impact of the expenditure.

The Council's reserves are divided between General Reserves, established as above, where the Council has some discretion over its approach, and Unusable Reserves, where the Local Authority Accounting Framework has created various reserves that are not available for general use.

Details of the reserves held by the Council are set out in note 15, page 59.

**xxiii. Revenue expenditure funded from capital under statute (REFCUS)**

REFCUS represents expenditure which may be correctly capitalised, but which does not result in the creation of a non-current asset in the Council's Accounts. The expenditure is written off to the Comprehensive Income and Expenditure Statement in full in the year in which it is incurred.

Common areas of expenditure classed as REFCUS include capital expenditure at Foundation, Voluntary Controlled and Voluntary Aided Schools, and Disabled Facilities Grants.

**xxiv. Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment. This may occur for a variety of reasons including an officer's decision to apply for voluntary release or redundancy, and if certain age related and membership conditions are met termination benefits include the early release of pension benefits.

Termination benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the authority can no longer withdraw the offer of those benefits. Where termination benefits include the enhancement of pensions, statutory provisions require the Accounts to be charged with the amount payable by the Authority to the pension fund or pensioner in the year.

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.

**xxv. VAT**

The Accounts are prepared excluding VAT, except where the Council is unable to recover VAT paid.



**2. Critical judgements in applying accounting policies**

In the course of applying the accounting policies detailed above, the Council has had to make judgements about significant transactions and balances. The critical judgements made in the production of this Statement of Accounts are as follows:

- The Council is involved with two PFI contracts; after an assessment under the requirements of IFRIC 12, it has been determined that these are effectively under the control of the Council. The accounting policies relating to PFI schemes have therefore been applied to these two arrangements, and the associated assets recognised on the Council's balance sheet.

- The Council has a number of properties for which it receives rental income. The nature of these holdings have been assessed against the Code requirements for investment properties. Properties that are held solely for the rental incomes received, or for increases in the capital value of the building, have been treated as investment properties, and the income and expenditure resulting from them are included within 'Investment income' in the Comprehensive Income and Expenditure Statement.

- The Council recognises land and buildings used by schools in line with the Code of Practice on Local Authority Accounting so only Community schools that are legally owned by the Council are recognised on the balance sheet.

**3. Assumptions made about the future and other major sources of estimation uncertainty**

The Accounts include a number of estimates that are based on assumptions regarding future events, the effects of which cannot be accurately gauged in advance. The disclosures below are limited to those estimates that have a significant risk of requiring a material adjustment in future financial years.

Item	Uncertainties	Effect if actual results differ from assumptions
- Assumptions used in the calculation of depreciation	Actual useful life of the asset	If the actual life is actually less than that used to calculate depreciation, depreciation will be understated in the CIES.
- Assumptions about future events affecting provisions	Timing and magnitude of the liability	Provision may be insufficient to cover liability if under estimated, or too large a provision may be made if the liability is over estimated.
- Principal actuarial assumptions regarding defined benefit pension schemes	The actuary for the Royal Berkshire pension scheme use a number of assumptions when calculating the net liabilities of the scheme. These include: - changes in inflation - salary increases - discount rates - returns on scheme assets - life expectancy of scheme members	Full details of the sensitivity analysis in respect of changes to the discount rates and life expectancies conducted by the actuaries are set out in note 31 page 82.

Item	Uncertainties	Effect if actual results differ from assumptions
- Assessments of the recoverable amounts of arrears and other debtors	Levels of bad debt provision have been calculated on the basis of the current economic conditions and historic experience of debt collection	If the levels of bad debts are higher than have been allowed for in the Comprehensive Income and Expenditure Statement, a cost to revenue will occur in future years.
- Assessment of future payments for PFI schemes	Estimates of the future payments to contractors are based on assumptions regarding inflation and satisfactory performance	Increase in inflation will lead to the Council having to pay over more to the contractor, so amounts included here will be understated. If the contractor's performance is lower than has been built into the financial model, the contractor will have penalty charges levied against it, and therefore the Council's costs will be lower than set out here.

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

A number of accounting standards have had amendments issued that may affect the 2016/17 financial year -these include:

IAS 19 (Employee Benefits)	Changes to employee contributions to defined benefit plans
IFRS 11 (Joint Arrangements)	Accounting for acquisitions of interest in joint operations
IAS 16 (Property, Plant and Equipment)	Methods of depreciation
IAS 38 (Intangible Assets)	Methods of amortisation
IAS 1 (Presentation of Financial Statements)	Disclosure initiatives
Annual Improvements to IFRSs 2010 - 2012 cycle	
Annual Improvements to IFRSs 2012 - 2014 cycle	

The impact of these changes have not yet been fully assessed, but it is not currently expected that it will lead to any material changes to the Council's accounts.

**5. Transfers to Academy Schools**

Under certain circumstances, schools within the Council's asset base can apply for Academy status. When this occurs, the associated assets are been removed from the Council's balance sheet; the value of the write offs being recognised within the 'Other operating expenditure' section of the Comprehensive Income and Expenditure Statement. In 2015/16, 1 school transferred to Academy status, with

an associated write off of assets totalling £3.1m from the Council's balance sheet (2014/15 no schools were granted Academy status).

**6. Agency income and expenditure**

The Council is not involved in any formal agency arrangements, but 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 authorities (including Public Health, which is administered by Bracknell Forest Borough Council) cost £29.7m (2014/15: £23.5m).

The Council administered £6.5m (2014/15: £5.8m) of this total; the most significant joint arrangements run by the Council include:

Child Care Lawyers (£3.9m)  
Coroner's Service (£1.3m)  
Berkshire Records Office (£0.8m)

**7. Better Care Fund**

The Better Care Fund (BCF) is a programme spanning both the NHS and local government. To ensure that vulnerable clients are placed them at the centre of their care and support, and providing them with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life. Reading entered a pooled budget with South Reading CCG and North and West Reading CCG. The total value of this fund in 15/16 was £10.196m, of which Reading Borough Council hosted schemes worth £6.284m.

*HIA Contract -*

The scheme, hosted by Reading Borough Council operates an information and advice service for clients across Reading, Wokingham and West Berkshire. The total cost of the service is £0.224m, of which Reading contributes £0.113m.

*Community Equipment Service -*

The partnership is operated by NRS Healthcare Limited, with West Berkshire District Council as the lead authority. 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. The partners to this agreement include the six Berkshire Unitary Authorities, and the local Clinical Commissioning Groups. In 2015/16 the gross expenditure of the partnership was £7.265m, to which the Council contributed £0.438m.

*Carers Information and Advice Service -*

The Carers Information and Advice Service supports unpaid carers in Reading (the lead authority), West Berkshire and Wokingham. It is funded by those three Authorities, as well as local Clinical Commissioning Groups. In 15/16 the funding was moved into the BCF and within this the gross expenditure during 276k, to which the Council contributed £97k. This contract ended on 31st March 2016 and will be part of the BCF in 16/17.

**8. 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](http://www.reading.gov.uk). In

addition, Co-optee's allowances are payable to non-Councillor members sitting on the Standards Committee, or any sub-committee set up by the Standards Committee.

The total amounts paid to Members and Co-opted officers during 2015/16 was £449,922 (2013/14: £445,528), split over the following categories:

2014/15		2015/16
£		£
376,045	Basic Allowance	378,230
64,588	Special Responsibility Allowance	65,636
0	Dependent Carer's Allowance	105
1,674	Travelling and Subsistence Allowance	2,730
3,221	Co-optees' Allowance	3,221
<u>445,528</u>		<u>449,922</u>

**9. 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:

2015/16

Postholder information	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Managing Director: Ian Wardle	135,000	0	135,000	22,545	157,545
Director of Environment and Neighbourhood Services: Alison Bell <sup>1</sup>	151,018	0	151,018	23,069	174,087
Director of Adult Care and Health Services: Wendy Fabbro <sup>2</sup>	113,063	0	113,063	18,881	131,944
Director of Children, Education and Early Help Services: Sylvie Chew <sup>3</sup>	45,713	57,714	103,427	7,627	111,054
Head of Finance: Alan Cross	88,393	0	88,393	14,762	103,155
Head of Customer Services: Zoe Hanim	88,393	0	88,393	14,762	103,155
Head of Legal and Democratic Services: Chris Brooks <sup>4</sup>	89,644	0	89,644	14,971	104,615

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

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

3 Sylvia Chew joined the Council in July 2015 and left on 5 November 2015

4 Chris Brooks also serves as the Council's Returning Officer; the figures for above do not include sums payable to him for this role.

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

2014/15

Postholder information	Salary (including fees and allowances)	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Managing Director: Ian Wardle	135,000	135,000	21,870	156,870
Director of Environment and Neighbourhood Services: Alison Bell	91,104	91,104	14,759	105,863
Director of Education, Adult and Children's Services: <sup>1</sup> Avril Wilson	96,158	96,158	15,578	111,736
Interim Director of Adult Services and Health: <sup>2</sup> Suzanne Westhead	87,093	87,093	14,109	101,202
Head of Finance: Alan Cross	87,093	87,093	14,109	101,202
Head of Customer Services: Zoe Hanim	87,093	87,093	14,109	101,202
Head of Legal and Democratic Services: <sup>3</sup> Chris Brooks	84,590	84,590	13,704	98,293

1. Avril Wilson left the Authority on 31<sup>st</sup> January 2015
2. Suzanne Westhead was appointed Interim Director of Adult Services and Health from 1<sup>st</sup> February 2015. The figures above reflect her salary for the full year.
3. Chris Brooks also serves as the Council's Returning Officer; the figures for above do not include sums payable to him for this role.

In addition, the Council paid a total of £53,639 to Penna PLC for the provision of an Interim Director of Children, Education and Early Help Services for the period January 2015 to March 2015.

Including the individuals disclosed above for 2015/16, the Council had the following numbers of employees receiving payments (including salary payments and compensation payments for loss of office, but excluding additional contributions to the Pension Fund) in excess of £50,000 during the year:

2014/15		2015/16		
Total Staff Numbers	Remuneration band £	Total Staff Numbers	Non-schools	Schools
0	150,000 to 154,999	1	1	0
1	135,000 to 139,999	1	1	0
1	110,000 to 114,999	2	1	1
2	100,000 to 104,999	3	3	0
3	95,000 to 99,999	0	0	0
1	90,000 to 94,999	0	0	0
6	85,000 to 89,999	3	2	1
1	80,000 to 84,999	4	4	0
5	75,000 to 79,999	10	7	3
11	70,000 to 74,999	14	14	0
17	65,000 to 69,999	10	8	2
14	60,000 to 64,999	16	15	1
17	55,000 to 59,999	25	23	2
36	50,000 to 54,999	47	42	5
<b>115</b>		<b>136</b>	<b>121</b>	<b>15</b>
	2014/15 comparatives:	<b>115</b>	<b>68</b>	<b>47</b>

## 10. Exit packages

As a result of various changes being implemented by the authority, a number of individuals have received exit packages, including redundancy compensation. The following table (and prior year comparators) shows those 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 in the figures in note 9 above.

2015/16				
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)
80,001 to 100,000	0	1	1	90,567
60,001 to 80,000	1	1	2	138,690
40,001 to 60,000	0	1	1	44,019
20,001 to 40,000	1	5	6	173,035
1 to 20,000	15	15	30	311,645
	<b>17</b>	<b>23</b>	<b>40</b>	<b>757,956</b>

2014/15					
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)	
100,001 to 150,000	1	0	1	111,004	
80,001 to 100,000	2	0	2	183,532	
60,001 to 80,000	1	0	1	77,567	
40,001 to 60,000	1	4	5	212,449	
20,001 to 40,000	3	5	8	214,942	
1 to 20,000	8	14	22	201,026	
	<b>16</b>	<b>23</b>	<b>39</b>	<b>1,000,520</b>	

## 11. Related parties transactions

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

The key personnel responsible for the major decisions of the Council are:

- Elected Members
- Managing Director
- Members of the Corporate Management Team (details of these Officers are set out in note 9)

Members are required to complete the Register of Members' Interests; a full copy of this is maintained and available to view during office hours). From the register, it has been identified that:

One councillor 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 2015/16: £400k). The majority of this is for the provision of contracted services, BWA is also in receipt of a small grant from the Council.

Five councillors sit on the board of Readibus; the charity has been established to provide a scheme for the transport of elderly and temporarily or permanently disabled people within Reading and the surrounding area. The Council is the major grant funding body for Readibus. In total, for 2015/16, Council incurred expenditure of £793k with Readibus, of which £388k was for grant funding, the balance was for the provision of services.

No members of CMT declared any financial interests during 2015/16.

### *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 part 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 Government departments are set out within the segmental reporting (note 36 page 92), capital and revenue grants (note 25), and details of capital expenditure (note 19).



*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 7, page 51.

*Transactions with bodies wholly owned or controlled by the Council*

The Council has substantial interests in 4 companies (Reading Transport Limited and the three companies making up REDCO group) - full details of the Council's interest in RTL are set out in the Group Accounts (pages 102 to 117). Included within the Council's 'Cost of Services' line within the Comprehensive Income and Expenditure Statement is £5.1m expenditure that the Council has incurred with RTL.

*Transactions with bodies where the Council can exhibit 'significant influence'*

The Council holds 49% of the shareholding of Reading-Hampshire Property Partnership; 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 £3.1m (2014/15: less than £3.5m), and has no assets, RHPP has been excluded from the Group Accounts on materiality grounds.

**12. 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 receivable in 2015/16 are as follows:

**Dedicated Schools Grant**

	Central Expenditure £ '000	ISB* £ '000	Total £ '000
Final DSG for 2015/16 before Academy recoupment			105,062
Academy figure recouped for 2015/16			29,843
Total DSG after Academy recoupment for 2015/16			<u>75,219</u>
Plus: Brought forward from 2014/15			1,318
Less: Carry forward to 2015/16 agreed in advance			0
Agreed initial budgeted distribution in 2014/15	17,587	58,950	<u>76,537</u>
In year adjustments	0	0	0
Final budgeted distribution for 2014/15	<u>17,587</u>	<u>58,950</u>	<u>76,537</u>
Less: actual central expenditure	(18,828)		(18,828)
Less: actual ISB deployed to schools*		(58,950)	(58,950)
Plus: Local Authority contribution for 2014/15	70		70
Carry-forward to 2015/16	<u>(1,171)</u>	<u>0</u>	<u>(1,171)</u>

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

**13. Audit fees**

Until the conclusion of the 2014/15 audit, the Council's external auditors were KPMG. Following the expiration of that appointment, the Audit Commission have appointed EY as the Council's external auditors for a two year period starting with the 2015/16 financial year; this contract was subsequently extended to cover a three year period by the DCLG. The amounts payable by the Council to KPMG and EY for external audit services are as follows:

2014/15 £ '000		2015/16 £ '000
145	Fees payable for external audit services	109
29	Fees payable for the certification of grant claims and returns	20
<u>174</u>		<u>129</u>

**14. Post-balance sheet events**

No adjusting or non-adjusting post-balance sheet events have been recognised in year.

**15. Amounts shown in the Movements in Reserves Statement**

The statement below details the adjustments made to the Council's General Fund and Housing Revenue Account for the year to account for the differences between proper accounting practice and amounts that are allowed to debited or credited under statute, and any transfers to or from reserves. The reserves are split into general reserves (those available to fund the day to day operations of the Council, and its capital works) and unusable reserves (funds that are not available for this purpose):

## 2014/15 Movement in Reserves - General Reserves

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total General Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2014	8,717	26,954	13,430	8,800	93	4,592	16,279	78,865
Surplus/(deficit) on provision of services	9,149		35,048					44,197
Surplus/(deficit) on revaluation of non-current assets								0
Valuation (gains)/losses in Fair Value of Investments								0
Actuarial remeasurements								0
<b>Total comprehensive income &amp; expenditure</b>	<b>9,149</b>	<b>0</b>	<b>35,048</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,197</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>								
<b>- Adjustments primarily involving the Capital Adjustment Account</b>								
Charges for depreciation and impairment of non-current assets	31,171		5,449					36,620
Revaluation (gains)/losses on Property, Plant and Equipment			(25,788)					(25,788)
Movement in the market value of Investment Properties	(1,363)							(1,363)
Amortisation of intangible assets	141							141
Capital grants and contributions applied							(29,373)	(29,373)
Revenue expenditure funded from capital under statute	3,370							3,370
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	244		4,980					5,224
<b>-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(8,547)		(3,915)					(12,462)
Capital expenditure charged against the General Fund and HRA balance	(628)							(628)
<b>-Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(37,029)						37,029	0
<b>-Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,775)		(5,560)			13,335		0
Use of Capital Receipts Reserve to finance new capital expenditure						(8,764)		(8,764)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	806					(806)		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						271		271
Repayment of long term debtors						942		942
<b>-Adjustments primarily involving the Major Repairs Reserve:</b>								
Reversal of Major Repairs Allowance credited to the HRA			(5,954)		5,954			0
Use of Major Repairs Reserve to finance new capital expenditure					(6,047)			(6,047)
<b>- Adjustments primarily involving the Financial Instruments Adjustment Account:</b>								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	389							389
<b>- Adjustments Primarily involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	26,543		1,000					27,543
Employer's pension contributions and direct payments to pensioners payable in year	(13,669)		(230)					(13,899)
<b>- Adjustment primarily involving the Collection Fund Adjustment Account</b>								
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(717)							(717)
<b>-Adjustments primarily involving the Accumulated Absences Account:</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(277)		85					(192)
Adjustments between accounting basis and funding basis under regulations	(7,341)	0	(29,933)	0	(93)	4,978	7,656	(24,733)
Net increase/(decrease) before transfers to earmarked reserves	1,808	0	5,115	0	(93)	4,978	7,656	19,464
Transfer to/(from) earmarked reserves	(1,686)	1,503	(200)	200		183		0
Increase/(decrease) in year	122	1,503	4,915	200	(93)	5,161	7,656	19,464
Balance at 31 March 2015	8,839	28,457	18,345	9,000	0	9,753	23,935	98,329

## 2014/15 Movement in Reserves - Unusable Reserves

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Available for Sale Financial Instruments Account	Equal Pay Backpay	Deferred Capital Receipts	Pension Reserve	Collection Fund Adjustment Account	Accumulated Absences	Total Unusable Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2014	79,262	299,133	1,202	0	0	510	(257,521)	2,625	(3,027)	122,184
Surplus/(deficit) on provision of services										0
Surplus/(deficit) on revaluation of non-current assets	3,887									3,887
Valuation (gains)/losses in Fair Value of investments				(272)						(272)
Actuarial remeasurements							(79,792)			(79,792)
<b>Total comprehensive income &amp; expenditure</b>	<b>3,887</b>	<b>0</b>	<b>0</b>	<b>(272)</b>	<b>0</b>	<b>0</b>	<b>(79,792)</b>	<b>0</b>	<b>0</b>	<b>(76,177)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>										
<b>- Adjustments primarily involving the Capital Adjustment Account</b>										
Charges for depreciation and impairment of non-current assets	(3,341)	(33,279)								(36,620)
Revaluation gains/(losses) on Property, Plant and Equipment		25,788								25,788
Movement in the market value of Investment Properties	5	1,358								1,363
Amortisation of intangible assets		(141)								(141)
Capital grants and contributions applied		29,373								29,373
Revenue expenditure funded from capital under statute		(3,370)								(3,370)
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	(114)	(5,110)								(5,224)
<b>- Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>										
Statutory provision for the financing of capital investment		12,462								12,462
Capital expenditure charged against the General Fund and HRA balance		628								628
<b>- Adjustments primarily involving the Capital Grants Unapplied Account:</b>										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement										0
<b>- Adjustments primarily involving the Capital Receipts Reserve:</b>										
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement										0
Use of Capital Receipts Reserve to finance new capital expenditure		8,764								8,764
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool										0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						(271)				(271)
Repayment of long term debtors		(942)								(942)
<b>- Adjustments primarily involving the Major Repairs Reserve:</b>										
Reversal of Major Repairs Allowance credited to the HRA										0
Use of Major Repairs Reserve to finance new capital expenditure		6,047								6,047
<b>- Adjustments primarily involving the Financial Instruments Adjustment Account:</b>										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation			(389)							(389)
<b>- Adjustments Primarily involving the Pensions Reserve:</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement							(27,543)			(27,543)
Employer's pension contributions and direct payments to pensioners payable in year							13,899			13,899
<b>- Adjustment primarily involving the Collection Fund Adjustment Account</b>										
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements								717		717
<b>- Adjustments primarily involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements									192	192
Adjustments between accounting basis and funding basis under regulations	(3,450)	41,578	(389)	0	0	(271)	(13,644)	717	192	24,733
Net increase/(decrease) before transfers to earmarked reserves	437	41,578	(389)	(272)	0	(271)	(93,436)	717	192	(51,444)
Transfer to/(from) earmarked reserves										0
Increase/(decrease) in year	437	41,578	(389)	(272)	0	(271)	(93,436)	717	192	(51,444)
Balance at 31 March 2015	79,699	340,711	813	(272)	0	239	(350,957)	3,342	(2,835)	70,740

## 2015/16 Movement in Reserves - General Reserves

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total General Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2015	8,839	28,457	18,345	9,000	0	9,753	23,935	98,329
Surplus/(deficit) on provision of services	(41,071)		81,124					40,053
Surplus/(deficit) on revaluation of non-current assets								0
Valuation (gains)/losses in Fair Value of investments								0
Actuarial remeasurements								0
<b>Total comprehensive income &amp; expenditure</b>	<b>(41,071)</b>	<b>0</b>	<b>81,124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,053</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>								
<b>- Adjustments primarily involving the Capital Adjustment Account</b>								
Charges for depreciation and impairment of non-current assets	23,284		(28,293)					(5,009)
Revaluation (gains)/losses on Property, Plant and Equipment	0		(37,835)					(37,835)
Movement in the market value of Investment Properties	(1,121)							(1,121)
Amortisation of intangible assets	117							117
Capital grants and contributions applied							(31,649)	(31,649)
Revenue expenditure funded from capital under statute	9,769							9,769
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	11,875		6,008					17,883
<b>-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(4,966)		(4,554)					(9,520)
Capital expenditure charged against the General Fund and HRA balance	(215)		(588)					(803)
<b>-Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Application of grants to capital financing credited to the Comprehensive Income and Expenditure Statement								0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(16,937)						16,937	0
<b>-Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,433)		(6,091)			9,524		0
Use of Capital Receipts Reserve to finance new capital expenditure						(937)		(937)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	921					(921)		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						400		400
Repayment of long term debtors						984		984
<b>-Adjustments primarily involving the Major Repairs Reserve:</b>								
Reversal of Major Repairs Allowance credited to the HRA			(6,900)		6,900			0
Use of Major Repairs Reserve to finance new capital expenditure					(6,900)			(6,900)
Use of Major Repairs Reserve to finance previous years capital expenditure								0
<b>- Adjustments primarily involving the Financial Instruments Adjustment Account:</b>								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	391							391
<b>- Adjustments Primarily involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	30,156		1,283					31,439
Employer's pension contributions and direct payments to pensioners payable in year	(12,817)		(276)					(13,093)
<b>- Adjustment primarily involving the Collection Fund Adjustment Account</b>								
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,412)							(1,412)
<b>- Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account</b>								
Amounts by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	1,650							1,650
<b>-Adjustments primarily involving the Accumulated Absences Account:</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	59		(20)					39
Adjustments between accounting basis and funding basis under regulations	37,321	0	(77,266)	0	0	9,050	(14,712)	(45,607)
Net increase/(decrease) before transfers to earmarked reserves	(3,750)	0	3,858	0	0	9,050	(14,712)	(5,554)
Transfer to/(from) earmarked reserves	3,959	(6,095)	(100)	100		82		(2,054)
Increase/(decrease) in year	209	(6,095)	3,758	100	0	9,132	(14,712)	(7,608)
Balance at 31 March 2016	9,048	22,362	22,103	9,100	0	18,885	9,223	90,721

## Notes to the Accounts

### 2015/16 Movement in Reserves - Unusable Reserves

	Revaluation Reserve £ '000	Capital Adjustment Account £ '000	Financial Instruments Adjustment Account £ '000	Available for Sale Financial Instruments Account £ '000	Equal Pay Backpay £ '000	Deferred Capital Receipts £ '000	Pension Reserve £ '000	Collection Fund Adjustment Account £ '000	Accumulated Absences £ '000	Total Unusable Reserves £ '000
Balance at 31 March 2015	79,699	340,711	813	(272)	0	239	(350,957)	3,342	(2,835)	70,740
Surplus/(deficit) on provision of services										0
Surplus/(deficit) on revaluation of non-current assets	23,826									23,826
Valuation (gains)/losses in Fair Value of investments				158						158
Actuarial remeasurements							35,317			35,317
<b>Total comprehensive income &amp; expenditure</b>	<b>23,826</b>	<b>0</b>	<b>0</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>35,317</b>	<b>0</b>	<b>0</b>	<b>59,301</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>										
<b>- Adjustments primarily involving the Capital Adjustment Account</b>										
Charges for depreciation and impairment of non-current assets	(4,183)	9,192								5,009
Revaluation gains/(losses) on Property, Plant and Equipment		37,835								37,835
Movement in the market value of Investment Properties	(270)	1,391								1,121
Amortisation of intangible assets		(117)								(117)
Capital grants and contributions applied		31,649								31,649
Revenue expenditure funded from capital under statute		(9,769)								(9,769)
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	(987)	(16,896)								(17,883)
<b>- Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>										
Statutory provision for the financing of capital investment		9,520								9,520
Capital expenditure charged against the General Fund and HRA balance		803								803
<b>- Adjustments primarily involving the Capital Grants Unapplied Account:</b>										
Application of grants to capital financing credited to the Comprehensive Income and Expenditure Statement										0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement										0
<b>- Adjustments primarily involving the Capital Receipts Reserve:</b>										
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement										0
Use of Capital Receipts Reserve to finance new capital expenditure		937								937
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool										0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						(400)				(400)
Repayment of long term debtors		(984)								(984)
<b>- Adjustments primarily involving the Major Repairs Reserve:</b>										
Reversal of Major Repairs Allowance credited to the HRA										0
Use of Major Repairs Reserve to finance new capital expenditure		6,900								6,900
Use of Major Repairs Reserve to finance previous years capital expenditure										0
<b>- Adjustments primarily involving the Financial Instruments Adjustment Account:</b>										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation			(391)							(391)
<b>- Adjustments Primarily involving the Pensions Reserve:</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement							(31,439)			(31,439)
Employer's pension contributions and direct payments to pensioners payable in year							13,093			13,093
<b>- Adjustment primarily involving the Collection Fund Adjustment Account</b>										
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements								1,412		1,412
<b>- Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account</b>										
Amounts by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements					(1,650)					(1,650)
<b>- Adjustments primarily involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements									(39)	(39)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(5,440)</b>	<b>70,461</b>	<b>(391)</b>	<b>0</b>	<b>(1,650)</b>	<b>(400)</b>	<b>(18,346)</b>	<b>1,412</b>	<b>(39)</b>	<b>45,607</b>
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>18,386</b>	<b>70,461</b>	<b>(391)</b>	<b>158</b>	<b>(1,650)</b>	<b>(400)</b>	<b>16,971</b>	<b>1,412</b>	<b>(39)</b>	<b>104,908</b>
Transfer to/(from) earmarked reserves						2,054				2,054
<b>Increase/(decrease) in year</b>	<b>18,386</b>	<b>70,461</b>	<b>(391)</b>	<b>158</b>	<b>(1,650)</b>	<b>1,654</b>	<b>16,971</b>	<b>1,412</b>	<b>(39)</b>	<b>106,962</b>
Balance at 31 March 2016	98,085	411,172	422	(114)	(1,650)	1,893	(333,986)	4,754	(2,874)	177,702

**16. General Reserves**

The general reserves of the Council can be used to finance the Council day-to-day operations of the Council, and its capital activities. Details of the in-year movements are set out in note 15, page 59. A number of reserves are earmarked for specific purposes; the movements in year for these are shown below:

	Balance at 31st March 2015 £ '000	Movement in year £ '000	Balance at 31st March 2016 £ '000
<u>Earmarked Reserves</u>			
Social Care Strategic Demand Reserve	3,750	(3,750)	0
Emergency Planning	200	0	200
General Fund Reserve Account	106	2	108
Legal and Taxation Reserve	250	0	250
North Whitley PFI	9,000	100	9,100
Organisational Change	5,400	(400)	5,000
Pension Liabilities	300	0	300
Property Liabilities	200	0	200
Prudential Reserve	3,300	2,150	5,450
Revenue Grant Unapplied Reserve	9,810	(4,357)	5,453
Self insurance	5,141	260	5,401
	<u>37,457</u>	<u>(5,995)</u>	<u>31,462</u>

The Council holds these reserves for the following purposes:

*The Social Care Strategic Demand Reserve* was set up to enable the cost of variable and long term increasing demographic demand for education and (mainly) social care services to be managed within the context of tight fixed budgets. The reserve was fully utilized in 2015/16

*The Emergency Planning Reserve* has been set up to meet any additional costs arising from flooding and adverse winter weather conditions.

*The General Fund Reserve* consists of a number of holding and suspense accounts set up for specific purposes in the General Fund.

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

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

*The Organisational Change Reserve* has been established to help meet the costs of the Council's reshaping programme and associated costs.

*The Pension Liabilities Reserve* has been set up 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* has been established to enable the borrowing and related treasury costs associated with 'unsupported' borrowing the Council becomes committed to in principle to be phased in over a period of time.

*The Revenue Grants Unapplied Reserve* has been set up 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 Self Insurance Reserve* was set up 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.

**17. Unusable Reserves**

The unusable reserves of the Council are as follows:

2014/15 £ '000		2015/16 £ '000
79,698	Revaluation Reserve	98,084
(272)	Available for Sale Financial Instruments Reserve	(114)
(350,957)	Pensions Reserve	(333,987)
340,712	Capital Adjustment Account	411,174
239	Deferred Capital Receipts	1,894
813	Financial Instruments Adjustment Account	422
3,342	Collection Fund Adjustment Account	4,754
0	Unequal Backpay Account	(1,650)
(2,835)	Short term Accumulating Compensated Absences Account	(2,874)
<b>70,740</b>		<b>177,703</b>

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

**i. Revaluation Reserve**

The Revaluation Reserve carries the gains and losses that have occurred as a result of changes in the value of the Council's property holdings.

2014/15 £ '000		2015/16 £ '000	2015/16 £ '000
79,261	Balance at 1st April		79,698
3,912	Upward revaluation of assets	23,800	
(25)	Downward revaluation of assets and impairment losses not charged to the Comprehensive Income and Expenditure Statement	26	
3,887	<b>Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement</b>		<b>23,826</b>
(114)	Accumulated gains on assets disposed of	(987)	
(3,341)	Difference between fair value depreciation and historic cost depreciation	(4,183)	
5	Assets transferred to/from Investment properties	(270)	
(3,450)	<b>Amount written off to the Capital Adjustment Account</b>		<b>(5,440)</b>
<b>79,698</b>	<b>Balance at 31st March</b>		<b>98,084</b>

**ii. Available for Sale Financial Instruments Reserve**

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

2014/15 £ '000		2015/16 £ '000
0	Balance at 1st April	(272)
(272)	Unrealised gains/(losses) on adjustment in fair value of financial instruments	158
<u>(272)</u>	Balance at 31st March	<u>(114)</u>

**iii. Pension Reserve**

Full details of the movement in the Pension Reserve are given in note 31, page 82. The Pensions Reserve adjusts for the timing difference that arises between accounting for post-employment benefits and accounting for pension schemes according with statutory provisions. Whilst the Reserve shows a significant deficit, statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £ '000		2015/16 £ '000
(257,522)	Balance at 1st April	(350,957)
(79,792)	Actuarial gains and losses on scheme assets and liabilities	35,316
(27,542)	Reversal of charges to the Comprehensive Income and Expenditure Statement	(31,439)
13,899	Employer's pension contributions	13,093
<u>(350,957)</u>	Balance at 31st March	<u>(333,987)</u>

**iv. Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

2014/15 £ '000		2015/16 £ '000	2015/16 £ '000
299,134	Balance at 1st April		340,712
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(31,917)	Charges for depreciation and impairment of non-current assets	9,192	
25,788	Revaluation gains/(losses) on PPE	37,835	
(141)	Amortisation of intangible assets	(117)	
(3,370)	Revenue expenditure funded from capital under statute	(9,769)	
(5,110)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16,896)	
<u>(14,750)</u>			20,245
	Capital financing applied in year:		
8,764	Use of the capital receipts reserve	937	
6,047	Use of the Major repairs reserve	6,900	
29,373	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement which have been applied to capital expenditure	31,649	
12,462	Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	9,520	
(942)	Repayment of long term debtors	(984)	
629	Capital expenditure charged against the General Fund and HRA balances	803	
<u>56,333</u>			48,825
(5)	Assets Transferred from Investment Properties	270	
0	Movement in the market of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,121	
<u>(5)</u>			1,391
<u>340,712</u>	Balance at 31st March		<u>411,173</u>

**v. Deferred Capital Receipts**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has not yet taken place. The most significant item recognised within the Reserve is a lease made to RTL, which is over a period of 10 years.

2014/15 £ '000		2015/16 £ '000
510	Balance at 1st April	239
0	New deferred capital receipts recognised	2,054
(271)	Transfer to Capital receipts reserve on receipt of cash	(400)
<u>239</u>	Balance at 31st March	<u>1,893</u>

**vi. Financial Instruments Adjustment Account**

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

2014/15 £ '000		2015/16 £ '000
1,202	Balance at 1st April	813
(389)	Proportion of premia incurred in previous years to be charged against the General Fund balance in accordance with statutory requirements	(391)
(389)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from finance costs chargeable in the year in accordance with statutory requirements	(391)
<u>813</u>	Balance at 31st March	<u>422</u>

**vii. Collection Fund Adjustment Account**

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

From 2013/14, as well as affecting Council Tax, transfers between the Comprehensive Income and Expenditure Statement and Collection Fund, entries arise because of changes to the distribution of NNDR. These include the entries that arise because the Council has elected to phase in the charge of its provision for NNDR appeals over 5 years.

2014/15 £ '000		2015/16 £ '000
2,625	Balance at 1st April	3,342
717	Amount by which Council Tax and NNDR credited to the Comprehensive Income and Expenditure Statement is different from amounts calculated for the year in accordance with statutory requirements	1,412
<u>3,342</u>	Balance at 31st March	<u>4,754</u>

**viii. Accumulated Absences Account**

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

2014/15 £ '000		2015/16 £ '000
(3,027)	Balance at 1st April	(2,835)
3,027	Settlement or cancellation of accrual made at the end of the preceding year	1,760
(2,835)	Amounts accrued at the end of the current year	(1,799)
<u>(2,835)</u>	Balance at 31st March	<u>(2,874)</u>

**18. Fixed Assets**

All expenditure on capital assets during the year has been included under 'additions' in the following table, although some items have been fully depreciated or impaired in the year. A reconciliation between the 'additions' figure here, and the total capital expenditure for the year is shown in note 20, page 75.

In accordance with the accounting policies set out in note 1, page 39, all fixed assets (except investment properties) are revalued on a five-year rolling programme, with the effective date of revaluations being 1<sup>st</sup> April of the financial year. Investment properties are revalued on an annual basis. The valuations were undertaken under the direction of Bruce Tindall, the Head of Development, who is a member of the Royal Institute of Chartered Surveyors.

There have been no changes in accounting estimates that have had an effect during 2015/16, and none are currently expected to have an effect in 2016/17.

Capital expenditure that does not result in an increase in the closing value is written off in year. Prior to 2015/16 this expenditure has been added to the asset value and also to the accumulated depreciation so the net result to the net book value is zero. The Fixed Asset table now reflects the written down cumulative asset value and depreciation position.

The 2014/15 Fixed Asset table has been restated accordingly.

Notes to the Accounts

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Investment properties	Assets held for sale (> 1 yr)	Surplus Assets	Total
	£ '000 (Restated)	£ '000 (Restated)	£ '000 (Restated)	£ '000 (Restated)	£ '000 (Restated)	£ '000	£ '000 (Restated)	£ '000	£ '000	£ '000 (Restated)
<b>Cost or Valuation at 1st April 2014</b>	<b>303,925</b>	<b>263,658</b>	<b>18,804</b>	<b>242,153</b>	<b>11,195</b>	<b>5,699</b>	<b>35,055</b>	<b>648</b>	<b>0</b>	<b>881,137</b>
Additions	8,728	22,561	6,258	18,746	436		485		2	57,216
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22,837	(226)	(2,527)		(110)		(596)	(358)		19,020
Revaluation increases/(decreases) recognised in the I and E	77	3,732								3,809
Impairment losses/(reversals) through the I and E		(9,292)	469	(443)	18		(767)		(2)	(10,017)
Impairment losses/(reversals) through the Revaluation Reserve		21								21
Derecognition - disposals	(1,490)		(341)				(145)			(1,976)
Derecognition - other										0
Reclassifications	5,699	(2,076)	(920)			(5,699)	(1,999)	(290)	5,000	(285)
Other movements	(5,422)	(2,559)								(7,981)
<b>Cost or Valuation at 31st March 2015</b>	<b>334,354</b>	<b>275,819</b>	<b>21,743</b>	<b>260,456</b>	<b>11,539</b>	<b>0</b>	<b>32,033</b>	<b>0</b>	<b>5,000</b>	<b>940,944</b>
<b>Accumulated Depreciation at 1st April 2014</b>	<b>(5,422)</b>	<b>(21,650)</b>	<b>(11,250)</b>	<b>(48,360)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(86,682)</b>
Depreciation charge for the year	(5,823)	(9,401)	(3,449)	(5,864)						(24,537)
Depreciation written out to the I and E		122	2,526							2,648
Depreciation written out to the Revaluation Reserve		57								57
Derecognition - disposals			322							322
Derecognition - other										0
Reclassifications		(153)	153							0
Other movements in depreciation	5,422	2,558								7,980
<b>Accumulated Depreciation at 31st March 2015</b>	<b>(5,823)</b>	<b>(28,467)</b>	<b>(11,698)</b>	<b>(54,224)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(100,212)</b>
<b>Net book value as at 31st March 2015</b>	<b>328,531</b>	<b>247,352</b>	<b>10,045</b>	<b>206,232</b>	<b>11,539</b>	<b>0</b>	<b>32,033</b>	<b>0</b>	<b>5,000</b>	<b>840,732</b>



Notes to the Accounts

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Investment properties	Assets held for sale (> 1 yr)	Surplus Assets	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or Valuation at 1st April 2015	334,354	275,819	21,743	260,456	11,539	0	32,033	0	5,000	940,944
Additions	10,409	32,160	2,771	14,866	271		200		10	60,687
Revaluation increases/(decreases) recognised in the Revaluation Reserve	35,073	(174)	(1,233)	(2,092)	(2)		936			32,508
Revaluation increases/(decreases) recognised in the I and E	323	23,172							300	23,795
Impairment losses/(reversals) through the I and E	34,696	3,531	(2)		(97)		1,491		(415)	39,204
Impairment losses/(reversals) through the Revaluation Reserve		26								26
Derecognition - disposals	(2,635)	(3,809)	(337)				(5,100)			(11,881)
Reclassifications							(514)			(514)
Other movements	(5,823)	(6,276)								(12,099)
<b>Cost or Valuation at 31st March 2016</b>	<b>406,397</b>	<b>324,449</b>	<b>22,942</b>	<b>273,230</b>	<b>11,711</b>	<b>0</b>	<b>29,046</b>	<b>0</b>	<b>4,895</b>	<b>1,072,670</b>
Accumulated Depreciation at 1st April 2015	(5,823)	(28,467)	(11,698)	(54,224)	0	0	0	0	0	(100,212)
Depreciation charge for the year	(6,753)	(11,260)	(3,723)	(6,156)						(27,892)
Depreciation written out to the I and E		16	1,231	333						1,580
Depreciation written out to the Revaluation Reserve		5								5
Derecognition - disposals		681	240							921
Other movements in depreciation	5,823	6,276								12,099
<b>Accumulated Depreciation at 31st March 2016</b>	<b>(6,753)</b>	<b>(32,749)</b>	<b>(13,950)</b>	<b>(60,047)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(113,499)</b>
<b>Net book value as at 31st March 2016</b>	<b>399,644</b>	<b>291,700</b>	<b>8,992</b>	<b>213,183</b>	<b>11,711</b>	<b>0</b>	<b>29,046</b>	<b>0</b>	<b>4,895</b>	<b>959,171</b>

**19. Capital expenditure and the Capital Finance Requirement**

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

2014/15		2015/16
£ '000		£ '000
437,339	<b>Opening Capital Finance Requirement</b>	440,840
	Capital investment:	
1,751	Business Transformation	1,183
7,587	Council Housing	9,462
468	Housing Renovation Grants	545
782	Acquisition of Council Housing	913
3,634	Other Buildings & Developments	6,689
12,400	New Civic Offices	413
18,746	Road & Transport Projects	15,340
9,554	School Construction and Development Works	37,009
2,215	School Improvements	2,044
362	Social Housing Grants	42
2,029	Vehicles and related equipment	302
1,248	Other (Environmental, Leisure and Crime Reduction)	1,444
<u>60,776</u>		<u>75,386</u>
	Sources of finance:	
(8,764)	Capital receipts	(913)
(29,373)	Government grants and other contributions	(31,649)
(629)	Sums set aside from revenue	(215)
(6,047)	Major Repairs Reserve	(7,488)
<u>(44,813)</u>		<u>(40,265)</u>
(12,462)	Minimum Revenue Provision	(9,519)
<u><u>440,840</u></u>	<b>Closing Capital Finance Requirement</b>	<u><u>466,442</u></u>
	Movements in year:	
15,963	Borrowing to finance capital expenditure	35,121
(12,462)	Minimum Revenue Provision	(9,519)
<u><u>3,501</u></u>	<b>Increase/(decrease) in Capital Finance Requirement</b>	<u><u>25,602</u></u>

**20. Reconciliation of the movement in fixed assets to the total capital expenditure of the Council.**

Due to the varied nature of the capital works undertaken by the Council, not all of the capital expenditure incurred results in an upward movement in the value of the fixed assets held by the Council. The table below shows how the total capital expenditure (note 19) reconciles to the movement in fixed assets (note 18):

2014/15 £ '000		2015/16 £ '000
57,216	Additional per fixed asset statement	60,688
	Plus:	
95	Intangible additions	49
3,370	Revenue Expenditure Funded through Capital Under Statute	9,769
0	Heritage asset additions	110
25	Current Assets held for Sale	4,771
70	Other changes	(1)
<b>60,776</b>	<b>Total capital expenditure on Council services</b>	<b>75,386</b>

**21. Capital commitments**

As at 31 March 2016, the Council had six separate effective commitments (each over £1m) in relation to capital contracts to a total value of £17.7m. These are associated with the schools building programme (three contracts), major transport schemes (two contracts) and also the demolition of the former Civic Offices to facilitate the regeneration of that site.

**22. 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:

	Balance at 1st April 2015 £ '000	New advances recognised £ '000	Advances repaid £ '000	Balance at 31st March 2016 £ '000
NCP Limited	0	2,054	(253)	1,801
Reading Transport Limited	8,638		(1,128)	7,510
Other mortgages and Loans	37	0	(4)	33
	<b>8,675</b>	<b>2,054</b>	<b>(1,385)</b>	<b>9,344</b>

**23. Debtors**

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

2014/15		2015/16
£ '000		£ '000
16,428	Central Government Bodies	6,589
5,116	Other Local Authorities	4,523
4,599	NHS Bodies	2,032
10,917	Other entities and individuals (including rent arrears and trade debtors)	15,058
<u>37,060</u>		<u>28,202</u>

**24. Creditors**

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

2014/15		2015/16
£ '000		£ '000
(1,527)	Central Government Bodies	(1,668)
(1,640)	Other Local Authorities	(889)
(733)	NHS Bodies	(1,020)
(53,849)	Other entities and individuals	(47,461)
<u>(57,749)</u>		<u>(51,038)</u>

Included within the 'other entities and individuals' figure is a short term provision of £2.4m held to offset future NDR appeals.

**25. Government and non-government grants**

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

**i. Capital grants and contributions**

The grant balances credited to the Comprehensive Income and Expenditure Statement during the year are as follows:

2014/15		2015/16
£ '000		£ '000
34,253	Grants credited to non-specific grant income	10,471
2,775	S106 and other contributions credited to non-specific grant income	6,466
<u>37,028</u>	<b>Total</b>	<u>16,937</u>

At the 31<sup>st</sup> March 2016, the Council had a number of grant and other contribution balances remaining that had conditions attached to them, and so have been recognised as capital grants received in advance:

2014/15		2015/16
£ '000		£ '000
272	Miscellaneous Government Grants	45
673	Education grants	682
585	Other contributions	0
9,479	Developers' contributions	8,114
<b>11,009</b>		<b>8,841</b>

## ii. Revenue grants

The revenue grant balances credited to the Comprehensive Income and Expenditure Statement during the year are as follows:

2014/15		2015/16
£ '000		£ '000
81,713	Housing Benefit Subsidy	78,292
78,736	Education Services	79,518
4,727	Community Care	5,832
6,931	Children and Families	6,847
8,212	Public Health	9,060
3,997	HRA PFI grant	3,997
10,067	Other grants	9,773
<b>194,383</b>	<b>Total</b>	<b>193,319</b>

## 26. Leases

### i. Council as the lessee

#### - Finance leases

At the 31<sup>st</sup> March 2016, the value of assets held under finance leases was judged to be immaterial.

### ii. Council as the lessor

#### - Finance leases

The Council leased buses to Reading transport Limited - this is accounted for as a modification of a pre-existing loan and recognised under Long Term Debtors (note 22, page 75).

#### - 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:

2014/15		2015/16
£ '000		£ '000
1,012	Payments due within one year	1,318
3,686	Payments due later than one year and not later than five years	4,578
<b>4,698</b>	<b>Total due</b>	<b>5,896</b>

**27. PFI schemes**

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

**i. North Whitley Housing PFI scheme**

The Council has a PFI contract for the management and maintenance of 1,374 dwellings for a 30-year period from 2004 to 2034 (1,289 dwellings remained as at 31<sup>st</sup> March 2016). There are no significant termination or renewal options within the contract.

Assessment under IFRIC 12 resulted in the scheme assets, and a liability for the future payments, being included on the Council's balance sheet. The in-year movements for these assets and liabilities are as follows:

	Balance sheet liability £ '000	Scheme Assets £ '000	Net £ '000
1st April 2015 Balance brought forward	(26,237)	43,024	16,787
Disposals	n/a	(580)	(580)
Revaluations	n/a	10,476	10,476
Depreciation and Impairment	n/a	(1,058)	(1,058)
Repayment of liability	702	n/a	702
31st March 2016 Balance carried forward	<u>(25,535)</u>	<u>51,862</u>	<u>26,327</u>

Future payments to Affinity (Reading) Ltd are dependent on performance targets being met; however, if these targets are met (as is expected), estimated payments due to the Company over the remainder of the contract are as follows:

31st March 2015		As at 31st March 2016			
Total		Liability	Interest	Service Cost	Total
£ '000		£ '000	£ '000	£ '000	£ '000
	Due within:				
6,396	1 year	752	2,156	3,616	6,524
27,221	2 to 5 years	2,270	8,100	17,397	27,767
38,035	6 to 10 years	4,648	8,712	25,438	38,798
43,033	11 to 15 years	9,150	6,220	28,526	43,896
38,463	16 to 20 years	8,715	1,565	18,780	29,060
<u>153,148</u>	Total	<u>25,535</u>	<u>26,753</u>	<u>93,757</u>	<u>146,045</u>

**ii. Waste PFI scheme**

In 2006/07 the Council, along with Wokingham and Bracknell Forest Borough Councils, entered into a PFI contract with FCC (RE3 Ltd) for the disposal of waste, which expires in 2031/32. As part of the contract, FCC have built a waste transfer station, materials recycling facility, civic amenity site and offices on Council-owned land at Smallmead. At the end of the contract, ownership of the assets will revert to the Council on whose land the facilities have been built. The total value of the future payments, modelled at financial close, was estimated to be £611m,

to be shared between the three authorities based on their relative waste throughputs. Actual payments will depend on the contractor's performance, as well as the individual Council's waste collection.

As a result of the assessment of this scheme under IFRIC 12, buildings and plant representing the Council's share of the scheme assets, and a liability for the future payments the Council will have to make under the terms of the contract, have been recognised on the Council's balance sheet.

The balance sheet movements relating to this scheme during 2015/16 are as follows:

	Scheme Assets			
	Balance sheet liability	Other land and buildings	Vehicle, plant and equipment	Net
	£ '000	£ '000	£ '000	£ '000
1st April 2015 Balance brought forward	(7,540)	11,487	2,286	6,233
Depreciation charge for year	n/a	(293)	(91)	(384)
Repayment of liability	295	n/a	n/a	295
31st March 2016 Balance carried forward	<u>(7,245)</u>	<u>11,194</u>	<u>2,195</u>	<u>6,144</u>

The payments that the Council will have to make to FCC under the Waste PFI contract, split between the repayment of liabilities, service charges and interest are shown below. These costs are based on estimates of the future value of the cash payments that will be made, assuming RPI is consistently at 2.5%.

31st March 2015		As at 31st March 2016			
Total		Liability	Interest	Service Cost	Total
£ '000		£ '000	£ '000	£ '000	£ '000
	Due within:				
9,399	1 year	268	476	8,762	9,506
40,836	2 to 5 years	1,273	1,705	39,690	42,668
57,686	6 to 10 years	2,167	1,566	61,747	65,480
66,301	11 to 15 years	3,053	701	78,455	82,209
24,658	16 to 20 years	484	16	12,038	12,538
<u>198,880</u>	<b>Total</b>	<u>7,245</u>	<u>4,464</u>	<u>200,692</u>	<u>212,401</u>

## 28. Provisions

Balance at 1st April 2015	In-year movements	
	Increases in provisions	Balance at 31st March 2016
£ '000	£ '000	£ '000
10,800	2,200	13,000
320	0	320
<u>11,120</u>	<u>2,200</u>	<u>13,320</u>

*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 of those cannot be quantified accurately at the present.

Payments are envisaged in future years, probably starting in 2016/17 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 £1.65m of the above provisions, the Council has taken advantage of the Local Authorities Capital Finance and Accounting Regulations that provide discretion not to charge the full provision to the accounts, so this sum is not backed by resources.

*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.

## 29. Long term borrowing

The table below shows the long term borrowing commitment that the Council had at the 31<sup>st</sup> March 2016; these items are all due for repayment after 31<sup>st</sup> March 2017.

2014/15		2015/16
£ '000		£ '000
273,916	Public Works Loan Board	(267,409)
(3,127)	less modified loans carrying value	3,108
30,327	Banks and Financial Institutions	(30,221)
<u>301,116</u>		<u>(294,522)</u>



An analysis for the Public Works Loan Board (PWLB) debt is provided below:

2014/15		2015/16
£ '000		£ '000
6,507	1 - 2 years	6,173
15,428	2 - 5 years	11,795
16,481	5 - 10 years	15,941
42,500	10 - 25 years	56,500
120,000	25 - 40 years	114,000
73,000	40+ years	63,000
<u>273,916</u>		<u>267,409</u>

Full details of the Council's Treasury Management activity are published separately in the Council's Annual Treasury Report (and are available online at [www.reading.gov.uk](http://www.reading.gov.uk)). No new loans were arranged in 2015/16 (2014/15 no new loans raised) and no loans were prematurely repaid. Premia and discounts incurred on early repayment are written off as incurred, but various adjustments are required or permitted by regulation spread the cost or income over (typically) a 10 year period. The residual £3.1m in connection with modified loans in the table above arises from the premia incurred on three loans rescheduled in 2004/05 and 2005/06 accounted for as a modification being written off to the Income and Expenditure Account over the life of the replacement loans.

The PWLB has advised that using its repayment rate to calculate premature repayment sums, the published value of the £273.9m of long term PWLB loans above held as at 31st March 2016 (including £6.5m loans maturing within a year), was £373.2m (the £283.4m par value at 31st March 2015 then had a published value of £377.1m on the same basis). The Council (with the assistance of its treasury advisor) estimates that if held to maturity, the Fair Value (in accordance with IFRS 13) of loans held at 31st March 2016 would be £319.5m (31st March 2015: £335.7m) This is based upon discounting the published value using the PWLB borrowing rates as at 31st March 2016

### 30. Financial Instruments

As well as the Council's borrowings and investments, including premia and discounts associated with their early repayment and also provisions for liabilities, financial instruments include financial assets and liabilities such as trade debtors, trade creditors, and cash & bank balances. (Taxation debtors (i.e. Council Tax arrears) are excluded from the definition). The Council estimates impairments of trade and taxation debtors, so that the balance sheet shows the net amount we expect to recover.

The following table provides an analysis of financial instruments between long term (due for settlement in more than 12 months) and current (settlement due within 12 months). We have treated debtors, creditors, cash & bank balances as current together with those investments and borrowings that fall due within 12 months. Most borrowings and some investments (over 12 months duration) have been analysed as long term.

The Council has some borrowing and lending to banks under LOBO/callable structures where the duration is uncertain. At the current time, for this analysis we have assumed these structures will run to their maximum duration. The long term elements include premia and discounts accounted for as loan modifications (as indicated above).

	Long Term		Current	
	31st March	31st March	31st March	31st March
	2015	2016	2015	2016
	£'000	£'000	£'000	£'000
<b>Financial Instruments Balances Carried Forward</b>				
Financial Liabilities at Amortised Cost	(301,116)	(294,522)	(59,348)	(67,041)
<b>Total Borrowings</b>	<b>(301,116)</b>	<b>(294,522)</b>	<b>(59,348)</b>	<b>(67,041)</b>
Loans and Receivables at Amortised Cost	8,675	9,397	46,550	28,818
Available for Sale Assets	4,728	11,886	21,347	3,291
<b>Total Investments</b>	<b>13,403</b>	<b>21,283</b>	<b>67,897</b>	<b>32,109</b>

We are also required to disclose the nature and extent of risks arising from financial instruments; including credit, liquidity and market risk. Credit and Liquidity risks exist for current and longer term receivables. In the above table they have been impaired (effectively a doubtful debt provision is held) to match broadly the historic experience of their non-payment. With regard to investment instruments, the Council approves a treasury investment strategy each year that indicates that investments are only made to highly rated counterparties, with an emphasis on security and liquidity over yield, and some spread within the market to mitigate market risks and preserve capital. There has never been an actual default experience, and therefore it is not considered necessary to impair investments from their nominal value.

As at 31st March 2016, £30m borrowing (2015: £30m) was on LOBO terms (with the lender to the Council having options to change the interest rate at various dates). The counterparty has options which could impact the potential value of those arrangements. In the Council's Balance Sheet and the above table these financial instruments are shown at their nominal value; the Council's treasury advisor has estimated the fair value of the LOBO loans at 31st March 2016 to be £48.3m (2015 £48m).

### 31. Post-employment benefits

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

#### i. Teachers' Pension Scheme

The Council makes payments to the Teachers' Pension Scheme, a contributory scheme run by Teachers' Pensions on behalf of the Department for Education. It is classified as a defined contribution scheme as it does not allow the identification of liabilities consistently and reliably between participating authorities. Finance is only required to be raised to cover a deficit in the Teachers' Pension scheme once pensions are actually paid.

In 2015/16, the Council paid employer's contributions of £4.0m (2014/15: £3.6m), representing 16.4% of employee's pensionable pay (2014/15: 14.1%). No added

years payments, discretionary enhancements or retirement lump sums were made during the year.

## ii. Local Government Pension Schemes

The Council pays contributions into the Royal Berkshire Pension Fund, which is managed on behalf of the Authority by the Royal Borough of Windsor and Maidenhead. This is a defined benefit final salary scheme into which both the employer and employee make contributions.

The Council is also responsible for a share (16.69%) of the former Berkshire County Council (BCC) Local Government Pension Scheme. This scheme is also administered by the Royal Borough of Windsor and Maidenhead. Although now closed, a liability remains for the pensioners that were in the scheme when BCC ceased to exist.

The last full actuarial valuation of both schemes was carried out as at 31<sup>st</sup> March 2013.

In 2015/16, the Council paid employer's contributions of £13m (2014/15: £10.6m) into the fund, representing 16.2% of employees pensionable pay (2014/15: 16.2%).

## a) Impact on the Income and Expenditure Account

2014/15		2015/16	
£ '000		£ '000	
16,166	Service Costs	19,701	
11,147	Net interest on defined liability	11,506	
229	Administration expenses	232	
<u>27,542</u>	<b>Total</b>	<u>31,439</u>	

During 2015/16, there were 7 additional early retirements (2014/15: 20 early retirements).

b) Reconciliation of the opening and closing balances of the present value of the defined benefit obligation

2014/15		2015/16
£ '000		£ '000
557,134	Opening defined benefit obligation	678,937
15,447	Current service cost	19,431
24,612	Interest cost	22,610
94,298	Change in financial assumptions	(51,239)
0	Change in demographic assumptions	0
60	Experience losses/(gains) on defined benefit obligation	(564)
(46)	Liabilities assumed/(extinguished) on settlements	(292)
(16,754)	Estimated benefits, net of transfers in	(17,751)
735	Past service costs, including curtailments	528
4,402	Contributions by scheme participants	4,549
(951)	Unfunded pension payments	(929)
<u>678,937</u>	Closing defined benefit obligation	<u>655,280</u>

c) Reconciliation of the opening and closing balances of the fair value of scheme assets

2014/15		2015/16
£ '000		£ '000
299,620	Opening fair value of scheme assets	327,988
13,465	Interest on assets	11,104
14,566	Return on assets less interest	(16,487)
0	Other actuarial gains/(losses)	0
(229)	Administration expenses	(232)
13,899	Contributions by employer (including unfunded)	13,093
4,402	Contributions by scheme participants	4,549
(17,705)	Estimated benefits paid and unfunded net of transfers in	(18,680)
(30)	Settlement prices received/(paid)	(34)
<u>327,988</u>	Fair value of scheme assets at end of period	<u>321,301</u>

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

31st March 2015		31st March 2016
£ '000		£ '000
665,931	Present value of funded obligation	643,726
<u>327,988</u>	Fair value of scheme assets (bid value)	<u>321,301</u>
<b>337,943</b>	<b>Net liability</b>	<b>322,425</b>
<u>13,006</u>	Present value of unfunded obligation	<u>11,554</u>
<u><b>350,949</b></u>	<b>Net Liability in balance sheet</b>	<u><b>333,979</b></u>

The defined benefit obligation shows the underlying liabilities that the Council has in the long run to pay retirement benefits. The total liability of £334m (2014/15: £351m) has not had a substantial impact on the net worth of the Council as recorded in the Balance Sheet because statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. At the last actuarial valuation, carried out in 2013, the deficit recovery period was set at 30 years.

e) The primary Actuarial assumptions made in assessing the pension fund

i. Changes in price bases:

	31st March 2016		31st March 2015	
	% p.a.	Real	% p.a.	Real
RPI increases	3.3%	-	3.3%	-
CPI increases	2.4%	-0.9%	2.5%	-0.8%
Salary increases	4.2%	0.9%	4.3%	1.0%
Pension increases	2.4%	-0.9%	2.5%	-0.8%
Discount rate	3.7%	0.4%	3.4%	0.1%

The Actuary has made assumptions with reference to market conditions as at 31<sup>st</sup> March 2016. The discount rate used is the annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond curve.

The RPI increase assumption has been set with reference to the difference between conventional gilt yields and index-linked yields at the 31<sup>st</sup> March using the 20 year point of the Bank of England spot inflation curve.

ii. Mortality assumptions:

31st March 2015		31st March 2016
Longevity at 65 for current pensioners (years):		
22.8	Males	22.9
26.1	Females	26.2
Longevity at 65 for members retiring in 20 years (years):		
25.1	Males	25.2
28.4	Females	28.6

## iii. Expected rates of return on scheme assets

The Royal Berkshire Pension Scheme's assets consist of the following categories, listed by proportion held:

31st March 2015			31st March 2016	
£ '000	%		£ '000	%
4,595	1%	Gilts	4,680	1%
17,991	5%	Cash	16,206	5%
46,261	14%	Other Bonds	44,061	14%
145,730	44%	Equities	145,268	45%
40,388	12%	Property	37,561	12%
58,221	18%	Target Return	60,470	19%
12,826	4%	Commodities	10,592	3%
14,128	4%	Infrastructure	15,358	5%
(12,153)	-4%	Longevity Insurance	(12,895)	-4%
<u>327,987</u>	<u>100%</u>	Total	<u>321,301</u>	<u>100%</u>

These assets are allocated as follows:

	As at 31st January 2016 % Quoted	As at 31st January 2016 % Unquoted
Index Linked Government Securities		
UK	1.5%	
Overseas		
Equities		
UK	2.8%	
Overseas	10.1%	
Overseas Unit Trusts	21.7%	
Overseas Private Equity		10.2%
UK Private Equity		0.5%
Property		
UK Pooled Property Funds	4.0%	0.4%
Overseas Pooled Property Funds		7.3%
Other Bonds		
Private Fixed Interest		10.0%
Overseas Unit Trusts	3.7%	
Absolute Return Portfolio		
Absolute Return Portfolio	3.5%	15.3%
Infrastructure		
Overseas Infrastructure		4.8%
Commodities		
Overseas Commodities	3.3%	
Cash and Cash Equivalents		
Derivatives	-1.7%	
Cash/Temporary Investments	0.9%	
UK Liquidity Funds (Unit Trusts)	5.6%	
Accrued Income	0.1%	
Amount receivable for sales of investments	0.2%	
Net Current Assets		
Debtors	1.0%	
Creditors	-0.5%	
Prepaid contributions	-0.7%	
Longevity Insurance		-4.0%
Total	55.5%	44.5%

For 2015/16, the return on the fund (on a bid value to bid value basis) is estimated to be -2%.

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.

f) 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:

	£ '000	£ '000	£ '000
<b>Adjustment to discount rate</b>	<b>-0.10%</b>	<b>0.00%</b>	<b>0.10%</b>
Present value of total obligation	667,909	655,279	642,903
Projected service cost	17,704	17,288	16,882
<b>Adjustment to long term salary increase</b>	<b>-0.10%</b>	<b>0.00%</b>	<b>0.10%</b>
Present value of total obligation	653,904	655,279	656,663
Projected service cost	17,280	17,288	17,296
<b>Adjustment to pension increases and deferred revaluation</b>	<b>-0.10%</b>	<b>0.00%</b>	<b>0.10%</b>
Present value of total obligation	644,112	655,279	666,673
Projected service cost	16,885	17,288	17,701
<b>Adjustment to mortality age rating assumption</b>	<b>- 1 year</b>	<b>None</b>	<b>+ 1 year</b>
Present value of total obligation	636,116	655,279	675,041
Projected service cost	16,858	17,288	17,729

g) Estimate of contributions for 2016/17

	Year to 31st March 2017 £ '000
Service costs	17,288
Net interest on the defined liability	11,866
Administration expenses	227
<b>Total</b>	<b>29,381</b>
Employer contribution	12,286

32. Contingent liabilities

From time to time, there are uncertainties surrounding potential liabilities in connection with capital or other projects in which the Council is involved. Where claims are unquantifiable at the balance sheet date, or possible but not probable, such claims are treated as contingent liabilities.

Contingent liabilities are not recognised in the Statement of Accounts, but are monitored to ensure that where an obligation or transfer of economic benefit to another party has become probable, a provision is made. The financial statements include provisions based on management's best estimate of the outcome of these



uncertainties. Whilst any disputes are ongoing the Council does not disclose the quantum or timing of any possible settlement as this could prejudice its 'commercial' position. In 2015/16, the Council has not recognised any material contingent liabilities.

### 33. Contingent assets

Contingent assets represent benefits due to the Council in relation to a past activity, if a future event occurs. On the advice from, and with the assistance of its tax advisors, (as at 31 March 2015) the Council had submitted a number of claims (totalling approximately £8.8m) regarding VAT to, and appealed various assessments raised by HM Revenue and Customs (HMRC). During the year it became clear that the contingent event will not now occur, and save possibly an immaterial related element this contingent asset will not now be realised.

In 2014/15 the Council, with the assistance of its tax advisors, submitted a claim regarding VAT to Royal Mail totalling approximately £1.6m. The recovery of the VAT relating to claim against Royal Mail is contingent upon the outcome of legal action involving other local authorities. Separately, in parallel with our waste PFI partners we have also made a claim to HMRC associated with landfill tax overpaid historically.

### 34. Notes to the Cashflow Statement

#### a) Note A to the Cashflow Statement

2014/15 £ '000		2015/16 £ '000
44,197	Net Surplus or (Deficit) on the Provision of Services	40,053
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
35,257	Depreciation and impairment	(4,582)
(25,788)	Impairment and downward valuations	(37,835)
141	Amortisation	117
0	Adjustment for movements in fair value of investments classified as Fair Value through Comprehensive Income and Expenditure Statement	
8,219	Increase/(Decrease) in Creditors	3,014
(15,431)	(Increase)/Decrease in Debtors	8,201
79	(Increase)/Decrease in Inventories	(101)
13,643	Pension Liability	18,346
5,224	Carrying amount of non-current assets sold	17,883
2,232	Other non-cash movements	679
<u>23,576</u>		<u>5,722</u>
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(34,256)	Capital Grants credited to surplus or deficit on the provision of services	(16,937)
4,810	Net adjustment from the sale of short and long term investments	(39)
16	Premiums or Discounts on the repayment of financial liabilities	(20)
(14,661)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11,580)
<u>(44,091)</u>		<u>(28,576)</u>
<u>23,682</u>	Net Cash Flows from Operating Activities	<u>17,199</u>

## b) Note B to the Cashflow Statement

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

2014/15		2015/16	
£ '000		£ '000	
1,570	Interest Received	13,252	
(14,212)	Interest Paid	(11,167)	
<u>(12,642)</u>		<u>2,085</u>	

## c) Note C to the Cashflow Statement

2014/15		2015/16	
£ '000		£ '000	
(52,835)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(68,404)	
(51,040)	Purchase of short and long term investments	(158,924)	
14,932	Proceeds from the sale of property plant and equipment, investment property and intangible assets	9,926	
52,186	Proceeds from short-term and long-term investments	166,939	
34,663	Other Receipts from Investing Activities	16,416	
<u>(2,094)</u>	<b>Total Cash Flows from Investing Activities</b>	<u>(34,047)</u>	

## d) Note D to the Cashflow Statement

2014/15		2015/16	
£ '000		£ '000	
352	Cash receipts of short and long term borrowing	17,520	
691	Billing Authorities - Council Tax and NNDR adjustments	(5,316)	
(6,571)	Repayment of Short-Term and Long-Term Borrowing	(12,563)	
(251)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(997)	
<u>(5,779)</u>	<b>Total Cash Flows from Financing Activities</b>	<u>(1,356)</u>	

## e) Note E to the Cashflow Statement

31st March 2015 £ '000		31st March 2016 £ '000
26,528	Cash and Bank Balances	8,324
0	Bank Overdraft	
<u>26,528</u>		<u>8,324</u>

**35. Third Party Funds**

The Council administers a number of bank accounts on behalf of clients by acting as the appointee or deputy. The clients concerned can no longer manage their own affairs, usually because of mental incapacity or severe physical disability. As at 31 March 2016, the Council administered £2.01m within 307 bank accounts. The assets are not owned by the Council and have therefore not been included in the financial statements.

### 36.Reconciliation between amounts reported to Policy Committee in budget monitoring, and amounts reported in the Comprehensive Income and Expenditure Statement.

For the year ended 31 March 2015						
Service Information	Environment and Neighbourhood Services £ '000	Corporate Support Services £ '000	Education, Adults' and Children's Services £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
Total Income	(50,404)	(90,412)	(118,989)	(259,805)	(37,209)	(297,014)
Employee expenses	28,685	14,859	86,388	129,932	2,134	132,066
Other operating expenses	52,241	87,983	104,763	244,987	16,561	261,548
Total operating expenses	80,926	102,842	191,151	374,919	18,695	393,614
Net Cost of Services	30,522	12,430	72,162	115,114	(18,514)	96,600

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

	£ '000
Cost of Services in Service Analysis	96,600
Add amounts not reported in Directorate budget monitoring	12,768
Net Cost of Services in Comprehensive Income and Expenditure Statement	109,368

#### Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis £ '000	Not reported in budget monitoring £ '000	Net Cost of Services £ '000	Corporate Amounts £ '000	Total £ '000
Services income	(297,014)		(297,014)		(297,014)
Interest and investment income			0	(1,536)	(1,536)
Income from council tax			0	(66,492)	(66,492)
Income from business rates			0	(27,522)	(27,522)
Government grants and contributions		(2,610)	(2,610)	(76,514)	(79,124)
Other Income		(3,812)	(3,812)		(3,812)
Transfers from reserves and balances		(778)	(778)		(778)
Total Income	(297,014)	(7,200)	(304,214)	(172,064)	(476,278)
Employee expenses	132,066		132,066		132,066
Other service expenses	261,548		261,548		261,548
Depreciation, amortisation and impairment		33,954	33,954		33,954
HRA recovery of valuation loss		(25,788)	(25,788)		(25,788)
Capitalisation		(8,277)	(8,277)		(8,277)
Revenue expenditure funded from capital under statute		3,370	3,370		3,370
Redundancy payments		2,222	2,222		2,222
Pension fund adjustments		2,524	2,524		2,524
Insurances		1,021	1,021		1,021
Other expenditure		7,156	7,156	(3)	7,153
Transfers to reserves and balances		2,963	2,963		2,963
Interest Payments and debt restructuring			0	14,226	14,226
Pension interest costs, net of return on scheme assets			0	11,147	11,147
Precepts & Levies			0	112	112
Payments to Housing Capital Receipts Pool			0	806	806
Gain or Loss on Disposal of Fixed Assets			0	(7,938)	(7,938)
Investment properties		823	823	149	972
Total operating expenses	393,614	19,968	413,582	18,499	432,081
Surplus or deficit on the provision of services	96,600	12,768	109,368	(153,565)	(44,197)

## Notes to the Accounts

For the year ended 31 March 2016

Service Information	Environment and Neighbourhood Services £ '000	Adult Care Services £ '000	Children, Education and Early Help Services £ '000	Corporate Support Services £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
<b>Total Income</b>	<b>(45,285)</b>	<b>(29,363)</b>	<b>(111,822)</b>	<b>(78,088)</b>	<b>(264,558)</b>	<b>(38,298)</b>	<b>(302,856)</b>
Employee expenses	29,136	13,894	78,257	14,871	136,158	2,546	138,704
Other operating expenses	47,769	55,836	68,451	77,036	249,092	14,985	264,077
<b>Total operating expenses</b>	<b>76,905</b>	<b>69,730</b>	<b>146,708</b>	<b>91,907</b>	<b>385,250</b>	<b>17,531</b>	<b>402,781</b>
<b>Net Cost of Services</b>	<b>31,620</b>	<b>40,367</b>	<b>34,886</b>	<b>13,819</b>	<b>120,692</b>	<b>(20,767)</b>	<b>99,925</b>

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

Cost of Services in Service Analysis	£ '000 99,925
Add amounts not reported in Directorate budget monitoring	(22,031)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>77,894</b>

### Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis £ '000	Not reported in budget monitoring £ '000	Net Cost of Services £ '000	Corporate Amounts £ '000	Total £ '000
Services income	(302,856)		(302,856)		(302,856)
Interest and investment income			0	(1,595)	(1,595)
Income from council tax			0	(70,350)	(70,350)
Income from business rates			0	(29,823)	(29,823)
Government grants and contributions			0	(47,259)	(47,259)
Other Income		(6,016)	(6,016)		(6,016)
Transfers from reserves and balances		(651)	(651)		(651)
<b>Total Income</b>	<b>(302,856)</b>	<b>(6,667)</b>	<b>(309,523)</b>	<b>(149,027)</b>	<b>(458,550)</b>
Employee expenses	138,704		138,704		138,704
Other service expenses	264,077		264,077		264,077
Depreciation, amortisation and impairment		24,538	24,538		24,538
HRA recovery of valuation loss		(66,128)	(66,128)		(66,128)
Capitalisation		(8,172)	(8,172)		(8,172)
Revenue expenditure funded from capital under statute		9,769	9,769		9,769
Redundancy payments		792	792		792
Pension fund adjustments		6,922	6,922		6,922
Insurances		151	151		151
Other expenditure		6,484	6,484		6,484
Transfers to reserves and balances		9,087	9,087		9,087
Interest Payments and debt restructuring			0	14,025	14,025
Pension interest costs, net of return on scheme assets			0	11,506	11,506
Precepts & Levies			0	115	115
Payments to Housing Capital Receipts Pool			0	921	921
Gain or Loss on Disposal of Fixed Assets			0	3,277	3,277
Investment properties		1,193	1,193	1,236	2,429
<b>Total operating expenses</b>	<b>402,781</b>	<b>(15,364)</b>	<b>387,417</b>	<b>31,080</b>	<b>418,497</b>
<b>Surplus or deficit on the provision of services</b>	<b>99,925</b>	<b>(22,031)</b>	<b>77,894</b>	<b>(117,947)</b>	<b>(40,053)</b>

## Housing Revenue Account

### Income and Expenditure Account and Movement on the HRA

2014/15 £ '000		2015/16 £ '000	£ '000
	<b>Expenditure (including pension costs in accordance with IAS 19):</b>		
4,950	Repairs and Maintenance	5,540	
11,997	Supervision and management	11,530	
315	Rents, rates, taxes and other charges	356	
0	Revenue Funding of Capital	588	
5,449	Depreciation and impairment of HRA assets	(28,293)	
61	Debt management costs	88	
58	HRA share of Non-Distributed Costs (IAS 19 past service costs)	29	
22,830			(10,162)
(25,788)	Valuation loss/(gain)		(37,835)
(2,958)			(47,997)
	<b>Income:</b>		
(35,654)	Gross dwelling rents	(36,267)	
(411)	Gross non-dwelling rents	(415)	
(904)	Charges for services	(1,072)	
(3,997)	Grant income	(3,997)	
0	Contributions towards expenditure	(92)	
0	(Reduced)/Increase provision for bad or doubtful debts	60	
(40,966)			(41,783)
(43,924)	<b>Net Expenditure or Income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		(89,780)
626	HRA share of Corporate and Democratic Core		605
(43,298)	<b>Net Expenditure of HRA services</b>		(89,175)
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
(580)	Gain or loss on sale of HRA non-current assets		(83)
8,568	Interest payable and similar charges		8,474
(330)	HRA interest and investment income		(341)
592	Pensions interest cost and expected return on pension assets		591
(35,048)	<b>(Surplus) or deficit for the year on HRA services</b>		(80,534)
(13,430)	<b>Balance at the end of the previous reporting period</b>		(18,345)
24,749	Adjustments between accounting basis and funding basis under regulations		70,785
11,319	<b>Net increase or decrease before transfers to or from reserves</b>		52,440
5,384	Transfers to or from reserves		5,993
(35,048)	Increase/(decrease) in year on the HRA		(80,534)
(18,345)	<b>Balance on the HRA as at the end of the current reporting period</b>		(22,101)

## Notes to the Housing Revenue Account

### 1. The Housing Revenue Account (HRA)

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

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

2014/15 £ '000		2015/16 £ '000
	<b>Adjustments between accounting basis and funding basis under regulations:</b>	
	Difference between any other item of income and expenditure determined with the Code and determined in accordance with statutory HRA requirements	20
24,254	Transfers to/from the Capital Adjustment Account	70,682
580	Gain or loss on the sale of HRA non-current assets	83
<u>24,749</u>		<u>70,785</u>
	<b>Transfers to or from reserves</b>	
(1,000)	HRA share of contributions to or from the Pension Reserve	(1,283)
230	Employers' contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	276
5,954	Transfers to/from the Major Repairs Reserve	6,900
200	Transfers to/from other HRA reserves	100
<u>5,384</u>		<u>5,993</u>
<u>30,133</u>	<b>Net additional amount required by statute to be credited to the Housing Revenue Account Balance for the year</b>	<u>76,778</u>

**3. The Council's Dwelling Stock**

At 31<sup>st</sup> March 2016, the Council was responsible for managing a housing stock of 6,883 dwellings, including 1,289 within the North Whitley PFI scheme (31<sup>st</sup> March 2015: 6,914 dwellings, 1,302 in the PFI scheme). The changes in stock were as follows:

	2015/16
Opening number of dwellings	6,914
<i>Additions</i>	
Purchased	5
Brought back into use	12
	<u>17</u>
<i>Removals</i>	
Right to buy sales	47
Sale of shared ownership dwellings	1
	<u>48</u>
Closing number of dwellings	<u><u>6,883</u></u>

These dwellings are of the following types:

2014/15		2015/16
Number of dwellings		Number of dwellings
3,955	Houses and bungalows	3,922
2,959	Flats	2,961
<u>6,914</u>	<b>Total dwellings</b>	<u>6,883</u>

The total Balance Sheet value of the Council's HRA assets at 31<sup>st</sup> March 2016 was £404.2m (31<sup>st</sup> March 2014: £332.8m), split across the following areas:

2014/15		2015/16
£ '000		£ '000
	Operational assets:	
328,531	Dwellings	399,644
2,326	Other land and buildings	2,184
1,931	Non-operational assets	2,356
<u>332,788</u>	<b>Total asset value</b>	<u>404,184</u>

The Balance Sheet value of dwellings within the HRA is intended to demonstrate the economic cost of providing council housing at rents less than open market value. Dwellings are initially valued at open market value and a Social Housing Adjustment factor is applied to recognize that as tenanted properties the dwellings are not available with vacant possession. In 2015/16 the Social Housing Adjustment factor remained at 32% (2014/15: 32%); the effect of this is to reduce



the vacant possession value of the dwellings from £1,238m to £396m (2014/15: vacant possession value of £1,019m, adjusted balance sheet value of £326m).

#### 4. The Major Repairs Reserve (MRR)

The MRR received transfers from the HRA representing depreciation of HRA assets. The reserve is used to finance HRA capital expenditure; the movements in the MRR in year were:

2014/15 £ '000		2015/16 £ '000
93	<b>Balance on the MRR as at 1st April</b>	<b>0</b>
	Transfers from Housing Revenue Account:	
5,823	- Depreciation on dwellings	6,753
131	- Depreciation on non-dwellings	147
(6,047)	Financing of capital expenditure	(6,900)
<u>0</u>	<b>Balance on the MRR as at 31st March</b>	<u>0</u>

#### 5. HRA capital expenditure

During 2015/16, the Council incurred £10.4 capital expenditure on land, houses and other properties within the HRA (2014/15: £8.7m). The detail of expenditure and the methods of financing are detailed below:

2014/15 £ '000		2015/16 £ '000
	HRA capital expenditure:	
8,448	Housing	9,957
282	Other	461
<u>8,730</u>		<u>10,418</u>
	Financed by:	
(1,564)	Borrowing	(1,679)
(757)	Capital Receipts	(913)
(362)	Developers Contributions	0
(6,047)	MRR	(6,900)
0	Revenue Contributions	(588)
0	Grants	(338)
<u>(8,730)</u>		<u>(10,418)</u>

#### 6. HRA capital receipts

During the year, the Council disposed of 47 dwellings to tenants under the Right to Buy scheme. The disposals generated total capital receipts of £5.8m, of which £921k was paid to Central Government as the Council's contribution to the Central Housing Pool. £11m of HRA capital receipts was held by the Council as at 31<sup>st</sup> March 2016 to be used on replacement housing.

**7. Interest**

£8.5m (2014/15: £8.6m) was charged in total to the HRA, of this £2.2m (2014/15: £2.2m) related to the Housing PFI scheme (see note 27, page 78 of the main accounts).

**8. Impairments**

In accordance with the accounting policies set out on page 39, net impairments of (£35,193k) (2014/15: (£505k)) in respect of HRA properties were charged to the HRA. The majority of this sum was a large reversal of impairments to dwellings recognised in previous years.

2014/15		2015/16
£ '000		£ '000
(514)	Dwellings	(35,187)
9	Other properties	(6)
<u>(505)</u>		<u>(35,193)</u>

**9. Depreciation**

The total charge for depreciation for dwellings and other properties within the HRA was £6.9m for 2014/15 (2014/15: £6m), split as follows:

2014/15		2015/16
£ '000		£ '000
Operational assets:		
5,823	Dwellings	6,753
130	Other Buildings	145
2 Non-operational assets		
<u>5,955</u>		<u>6,900</u>

**10. HRA contributions to the Pension Reserve**

The HRA has been charged with a share of the pension costs of the Council in accordance with IAS 19; these costs are included within the HRA Income and Expenditure Statement.

**11. Rent Arrears and other debts**

At the 31<sup>st</sup> March 2016, the rent arrears were £828,023 (2014/15: £793,326); a provision of £600,000 in respect of uncollectable debts has been recognised on the Balance Sheet (2014/15 £600,000).

**12. Exceptional or prior year items**

In 2015/16, the Council recognised no exception items within the HRA.

## Collection Fund Account

2014/15 £ '000 Total		2015/16 £ '000 Business Rates	2015/16 £ '000 Council Tax	2015/16 £ '000 Total
<u>Income:</u>				
77,802	Council Tax receivable		80,933	80,933
77,802			80,933	80,933
105,993	Business Rates receivable (net of discretionary and mandatory relief)	109,335		109,335
<b>183,795</b>	<b>Total income</b>	<b>109,335</b>	<b>80,933</b>	<b>190,268</b>
<u>Expenditure:</u>				
Apportionment of previous year's surplus:				
206	Central Government	868		868
1,617	Reading Borough Council	850	1,888	2,738
174	Royal Berkshire Fire Authority	17	86	103
65	Thames Valley Police		226	226
2,062		1,735	2,200	3,935
Precepts, demands and shares:				
50,088	Central Government	52,608		52,608
114,164	Reading Borough Council	51,556	68,462	120,018
3,952	Royal Berkshire Fire Authority	1,052	3,042	4,094
7,805	Thames Valley Police		8,210	8,210
176,009		105,216	79,714	184,930
Charges to the Collection Fund;				
46	Write off of uncollectable amounts	27	5	32
1,147	Allowance for impairments	(97)	1,450	1,353
2,600	Provision for appeals	4,100	0	4,100
271	Cost of collection allowance	270	0	270
4,064		4,300	1,455	5,755
<b>182,135</b>	<b>Total Expenditure</b>	<b>111,251</b>	<b>83,369</b>	<b>194,620</b>
1,660	Movement on the fund balance	(1,916)	(2,436)	(4,352)
3,485	Surplus/(deficit) brought forward	2,916	2,229	5,145
5,145	Surplus/(deficit) on the Collection Fund as at 31st March	1,000	(207)	793

## Notes to the Collection Fund Account

### 1. The Collection Fund

The Collection Fund 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.

### 2. National Non-Domestic Rates

Business rates are organised on a national basis, with the Government specifying a multiplier rate; a business's rate liability is calculated by multiplying this amount by the business's rateable value.

The total Non-Domestic rateable value at 31st March 2016 was £249,711,720 (28<sup>th</sup> March 2015: £249,180,086). The business rate multiplier set by Central Government for 2014/15 was 48.0p for small businesses, and 49.3p for all other businesses.

### 3. Council Tax

The Council is required to set the Council Tax for the Borough of Reading. The level of Council Tax is calculated by dividing the Budget requirement, less Revenue Support Grant and retained business rates, by the tax base.

The tax base is made up of the number of chargeable dwellings in each valuation band (after adjustment for discounts where applicable). These are converted into an equivalent number of Band D dwellings. In October 2014, there were 50,558 Band D equivalent properties on the Council Tax register:

2014/15			2015/16		
Band D Equivalent Dwellings	Band	Property Value	Taxable Properties	Ratio	Band D Equivalent Dwellings
2,889	A	Up to £40,000	5,433	6/9	3,106
8,727	B	From £40,001 to £52,000	13,284	7/9	9,131
21,511	C	From £52,001 to £68,000	27,318	8/9	22,286
9,090	D	From £68,001 to £88,000	10,006	9/9	9,340
5,899	E	From £88,001 to £120,000	5,262	11/9	6,080
4,320	F	From £120,001 to £160,000	3,189	13/9	4,385
2,804	G	From £160,001 to £320,000	1,793	15/9	2,869
117	H	£320,001 upwards	76	18/9	123
<u>55,357</u>			<u>66,361</u>		<u>57,320</u>

In January 2015, the Council estimated that the Council Tax base would be 50,155.

## Collection Fund

### 4. Precepting bodies

The Council Tax element of the Collection Fund is drawn upon by three organisations: Reading Borough Council, Thames Valley Police and the Royal Berkshire Fire and Rescue Authority. The precepts and demands made by all three, and their share of the year end surplus, are shown below:

2014/15 £ '000		2015/16 - Council Tax		Total £ '000
		Precept/Demand £ '000	Surplus/(Deficit) £ '000	
64,849	Reading Borough Council	68,462	(2,092)	66,370
7,778	Thames Valley Police	8,210	(251)	7,959
2,940	Royal Berkshire Fire and Rescue Authority	3,042	(93)	2,949
<u>75,567</u>		<u>79,714</u>	<u>(2,436)</u>	<u>77,278</u>

The Business Rates element of the Collection Fund is drawn upon by Central Government, Reading Borough Council and the Royal Berkshire Fire and Rescue Authority. The precepts and demands made by all three, and their share of the year end surplus, are shown below:

2014/15 £ '000		2015/16 - Business Rates		Total £ '000
		Precept/Demand £ '000	Surplus/(Deficit) £ '000	
51,051	Central Government	52,608	(958)	51,650
50,031	Reading Borough Council	51,556	(939)	50,617
1,021	Royal Berkshire Fire and Rescue Authority	1,052	(19)	1,033
<u>102,103</u>		<u>105,216</u>	<u>(1,916)</u>	<u>103,300</u>

Of the £51.6m (2014/15 £49.1m) business rates income shown as the Council's share, we were required to pay a tariff payment to central government so only £29.8m (2014/15 £27.5m) was received by the General Fund (see page 34).

### 5. Collection Fund Surplus/(Deficit)

	2014/15			2015/16
	Total £ '000	Council Tax £ '000	Business Rates £ '000	Total £ '000
Reading Borough Council	3,342	(2,092)	(939)	311
Central Government	1,458	0	(958)	500
Thames Valley Police	229	(249)	0	(20)
Royal Berkshire Fire and Rescue Authority	116	(95)	(19)	2
	<u>5,145</u>	<u>(2,436)</u>	<u>(1,916)</u>	<u>793</u>

## Group Accounts

### 1. Introduction

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

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

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 hire of drivers and buses for private hire.

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

### 2. Financial Performance

The activities and performance of each of the subsidiaries during the year 2015/16 is set out below:

RTL: As at 31st March 2016, net current assets were £0.8m (£1.4m in 2014/15).

REDCO: The group's net current assets were £0.0m (as at 31<sup>st</sup> March 2015 £0.0m); in 2015/16 the company broke even (2014/15: broke even).

The Group segmental analysis is shown below, these figures exclude any transactions that have occurred between members of the group.

## Group Accounts

For the year ended 31 March 2016							
Service Information	Environment and Neighbourhood Services £ '000	Adult Care Services	Children, Education and Early Help Services £ '000	Corporate Support Services £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
<b>Total Income</b>	<b>(45,285)</b>	<b>(29,363)</b>	<b>(111,822)</b>	<b>(78,069)</b>	<b>(264,539)</b>	<b>(38,298)</b>	<b>(302,837)</b>
Employee expenses	29,136	13,894	78,257	14,871	136,158	2,546	138,704
Other operating expenses	42,936	55,836	68,197	77,033	244,002	14,985	258,987
<b>Total operating expenses</b>	<b>72,072</b>	<b>69,730</b>	<b>146,454</b>	<b>91,904</b>	<b>380,160</b>	<b>17,531</b>	<b>397,691</b>
<b>Net Cost of Services</b>	<b>26,787</b>	<b>40,367</b>	<b>34,632</b>	<b>13,835</b>	<b>115,621</b>	<b>(20,767)</b>	<b>94,854</b>

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

	£ '000
Cost of Services in Service Analysis	94,854
Add amounts not reported in Directorate budget monitoring	(18,705)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>76,149</b>

### Reconciliation to Subjective Analysis (Group)

	Service Analysis £ '000	Subsidiary results (RTL etc) £ '000	Not reported in budget monitoring £ '000	Net Cost of Services £ '000	Corporate Amounts Subsidiaries £ '000	RBC £ '000	Total £ '000
Services income	(302,837)	(25,873)	0	(328,710)			(328,710)
Interest and investment income			0	0	(22)	(1,340)	(1,362)
Income from council tax			0	0		(70,350)	(70,350)
Income from business rates			0	0		(29,823)	(29,823)
Government grants and contributions			0	0		(47,258)	(47,258)
Other Income			(6,016)	(6,016)			(6,016)
Transfers from reserves and balances			(651)	(651)			(651)
<b>Total Income</b>	<b>(302,837)</b>	<b>(25,873)</b>	<b>(6,667)</b>	<b>(335,377)</b>	<b>(22)</b>	<b>(148,771)</b>	<b>(484,170)</b>
Employee expenses	138,704	18,461	0	157,165			157,165
Other service expenses	258,987	7,974	0	266,961			266,961
Depreciation, amortisation and impairment		2,764	24,538	27,302			27,302
HRA recovery of valuation loss			(66,128)	(66,128)			(66,128)
Capitalisation			(8,172)	(8,172)			(8,172)
Revenue expenditure funded from capital under statute			9,769	9,769			9,769
Redundancy payments			792	792			792
Pension fund adjustments			6,922	6,922			6,922
Insurances			151	151			151
Other expenditure			6,484	6,484		0	6,484
Transfers to reserves and balances			9,087	9,087			9,087
Interest Payments and debt restructuring			0	0	379	14,025	14,404
Pension interest costs, net of return on scheme assets			0	0	136	11,506	11,642
Precepts & Levies			0	0		115	115
Payments to Housing Capital Receipts Pool			0	0		921	921
Gain or Loss on Disposal of Fixed Assets			0	0	(305)	3,277	2,972
Tax expenses - Corporation tax payable				0			0
Investment properties			1,193	1,193		1,236	2,429
RTL restructuring costs				0	69		69
<b>Total operating expenses</b>	<b>397,691</b>	<b>29,199</b>	<b>(15,364)</b>	<b>411,526</b>	<b>279</b>	<b>31,080</b>	<b>442,885</b>
<b>Surplus or deficit on the provision of services</b>	<b>94,854</b>	<b>3,326</b>	<b>(22,031)</b>	<b>76,149</b>	<b>257</b>	<b>(117,691)</b>	<b>(41,285)</b>

## Group Accounts

For the year ended 31 March 2015

Service Information	Environment and Neighbourhood Services £ '000	Corporate Support Services £ '000	Education, Adults' and Children's Services £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
Total Income	(50,363)	(90,412)	(118,989)	(259,764)	(37,209)	(296,973)
Employee expenses	28,685	14,859	86,388	129,932	2,134	132,066
Other operating expenses	48,086	87,983	104,631	240,700	16,561	257,261
Total operating expenses	76,771	102,842	191,019	370,632	18,695	389,327
Net Cost of Services	26,408	12,430	72,030	110,868	(18,514)	92,354

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

	£ '000
Cost of Services in Service Analysis	92,354
Add amounts not reported in Directorate budget monitoring	15,895
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>108,249</u>

### Reconciliation to Subjective Analysis (Group)

Service Analysis	Subsidiary results (RTL etc)	Not reported in budget monitoring	Net Cost of Services	Corporate Amounts		Total
£ '000	£ '000	£ '000	£ '000	Subsidiaries £ '000	RBC £ '000	£ '000
Services income	(296,973)	(24,313)	0	(321,286)		(321,286)
Interest and investment income			0	0	(31)	(1,332)
Income from council tax			0	0		(66,492)
Income from business rates			0	0		(27,522)
Government grants and contributions			(2,610)	(2,610)		(79,124)
Other Income			(3,812)	(3,812)		(3,812)
Transfers from reserves and balances			(778)	(778)		(778)
<b>Total Income</b>	<b>(296,973)</b>	<b>(24,313)</b>	<b>(7,200)</b>	<b>(328,486)</b>	<b>(31)</b>	<b>(171,829)</b>
Employee expenses	132,066	16,827	0	148,893		148,893
Other service expenses	257,261	6,553	0	263,814		263,814
Depreciation, amortisation and impairment		3,390	33,954	37,344		37,344
HRA recovery of valuation loss			(25,788)	(25,788)		(25,788)
Capitalisation			(8,277)	(8,277)		(8,277)
Revenue expenditure funded from capital under statute			3,370	3,370		3,370
Redundancy payments			2,222	2,222		2,222
Pension fund adjustments			2,524	2,524		2,524
Insurances		670	1,021	1,691		1,691
Other expenditure			7,156	7,156	(3)	7,153
Transfers to reserves and balances			2,963	2,963		2,963
Interest Payments and debt restructuring			0	0	300	14,226
Pension interest costs, net of return on scheme assets			0	0	433	11,147
Precepts & Levies			0	0		112
Payments to Housing Capital Receipts Pool			0	0		806
Gain or Loss on Disposal of Fixed Assets			0	0	(287)	(7,938)
Tax expenses - Corporation tax payable			0	0	64	64
Investment properties			823	823		149
RTL restructuring costs			0	0	15	15
<b>Total operating expenses</b>	<b>389,327</b>	<b>27,440</b>	<b>19,968</b>	<b>436,735</b>	<b>525</b>	<b>18,499</b>
<b>Surplus or deficit on the provision of services</b>	<b>92,354</b>	<b>3,127</b>	<b>12,768</b>	<b>108,249</b>	<b>494</b>	<b>(153,330)</b>



### 3. Group Financial Statements

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

The following statements have been prepared:

- The Group Movement in Reserves Statement, which combines the in-year movements of the financial reserves of the Council (as shown on page 59), with those of the Group entities, providing the overall change in the Council's total reverses.
- The Group Comprehensive Income and Expenditure Statement, which brings together the Comprehensive Income and Expenditure Statement produced by the Council and the Profit and Loss Statement produced by Reading Transport.
- The Group Balance sheet, which recognises the year end position of all of the group entities.
- The Group Cashflow statement, which consolidates the cashflow statements for the Council and RTL only, as REDCo has no cashflows.

### 4. Group Accounting Policies

The Accounting policies for the subsidiary companies are not materially different to those of the Council, set out in note 1, page 39. The following differences are recognised:

#### - Basis of account production

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

#### - Depreciation of Fixed Assets

Except for freehold land, depreciation is calculated so as to write off the cost of the asset less their estimated residual value on a systematic basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Fixed Asset Category	Depreciation Basis
Buildings	2% - 4% straight line
Plant and Machinery	10% - 20% straight line
Buses	6 2/3% - 33% straight line
Other Vehicles	9 1/2% - 33% straight line

This fixed assets 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 2015/16 for RTL is £2.8m (2014/15: £3.4m).

5. Group Financial Statements  
Group Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves	Total Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2014	10,234	26,954	13,430	8,800	4,592	93	16,279	80,382	122,184	202,566	(11,404)	191,162
Surplus/(deficit) on provision of services	9,149		35,048					44,197	0	44,197	390	44,587
Surplus/(deficit) on revaluation of non-current assets								0	3,887	3,887		3,887
Actuarial gains/(losses) on pension assets/liabilities								0	(79,792)	(79,792)	1,648	(78,144)
Other gains/(losses)								0	(272)	(272)	14	(258)
<b>Total comprehensive income &amp; expenditure</b>	<b>9,149</b>	<b>0</b>	<b>35,048</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,197</b>	<b>(76,177)</b>	<b>(31,980)</b>	<b>2,052</b>	<b>(29,928)</b>
Adjustments between group accounts and the authorities accounts	2,729							2,729	0	2,729	(2,729)	0
<b>Net increase/(decrease) before transfer</b>	<b>11,878</b>	<b>0</b>	<b>35,048</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,926</b>	<b>(76,177)</b>	<b>(29,251)</b>	<b>(677)</b>	<b>(29,928)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>												
<b>- Adjustments primarily involving the Capital Adjustment Account</b>												
Charges for depreciation and impairment of non-current assets	29,808		5,449					35,257	(35,257)	0		0
Revaluation losses on Property, Plant and Equipment			(25,788)					(25,788)	25,788	0		0
Movement in the market value of Investment Properties								0		0		0
Amortisation of intangible assets	141							141	(141)	0		0
Capital grants and contributions applied							(29,373)	(29,373)	29,373	0		0
Revenue expenditure funded from capital under statute	3,370							3,370	(3,370)	0		0
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	244		4,980					5,224	(5,224)	0		0
<b>- Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>												
Statutory provision for the financing of capital investment	(8,547)		(3,915)					(12,462)	12,462	0		0
Capital expenditure charged against the General Fund and HRA balance	(628)							(628)	628	0		0
<b>- Adjustments primarily involving the Capital Grants Unapplied Account:</b>												
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(37,029)						37,029	0	0	0		0
<b>- Adjustments primarily involving the Capital Receipts Reserve:</b>												
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,775)		(5,560)		13,335			0	0	0		0
Use of Capital Receipts Reserve to finance new capital expenditure					(8,764)			(8,764)	8,764	0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	806				(806)			0	0	0		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					271			271	(271)	0		0
Repayment of long term debtors					942			942	(942)	0		0
<b>- Adjustments primarily involving the Major Repairs Reserve:</b>												
Reversal of Major Repairs Allowance credited to the HRA			(5,954)		5,954			0	0	0		0
Use of Major Repairs Reserve to finance new capital expenditure					(6,047)			(6,047)	6,047	0		0
<b>- Adjustments primarily involving the Financial Instruments Adjustment Account:</b>												
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	389							389	(389)	0		0
<b>- Adjustments Primarily involving the Pensions Reserve:</b>												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	26,543		1,000					27,543	(27,543)	0		0
Employer's pension contributions and direct payments to pensioners payable in year	(13,669)		(230)					(13,899)	13,899	0		0
<b>- Adjustment primarily involving the Collection Fund Adjustment Account</b>												
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(717)							(717)	717	0		0
<b>- Adjustments primarily involving the Accumulated Absences Account:</b>												
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(277)		85					(192)	192	0		0
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(7,341)</b>	<b>0</b>	<b>(29,933)</b>	<b>0</b>	<b>4,978</b>	<b>(93)</b>	<b>7,656</b>	<b>(24,733)</b>	<b>24,733</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>4,537</b>	<b>0</b>	<b>5,115</b>	<b>0</b>	<b>4,978</b>	<b>(93)</b>	<b>7,656</b>	<b>22,193</b>	<b>(51,444)</b>	<b>(29,251)</b>	<b>(677)</b>	<b>(29,928)</b>
Transfer to/(from) earmarked reserves	(1,686)	1,503	(200)	200	183	0	0	0	0	0		0
<b>(Increase)/decrease in year</b>	<b>2,851</b>	<b>1,503</b>	<b>4,915</b>	<b>200</b>	<b>5,161</b>	<b>(93)</b>	<b>7,656</b>	<b>22,193</b>	<b>(51,444)</b>	<b>(29,251)</b>	<b>(677)</b>	<b>(29,928)</b>
Balance at 31 March 2015	13,085	28,457	18,345	9,000	9,753	0	23,935	102,575	70,740	173,315	(12,081)	161,234

## Group Accounts

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves	Total Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2015	13,085	28,457	18,345	9,000	9,753	0	23,935	102,575	70,740	173,315	(12,081)	161,234
Surplus/(deficit) on provision of services	(41,071)		81,124					40,053	0	40,053	1,234	41,287
Surplus/(deficit) on revaluation of non-current assets								0	23,826	23,826		23,826
Actuarial gains/(losses) on pension assets/liabilities								0	35,475	35,475	(2,784)	32,691
Other gains/(losses)								0	0	0	(4)	(4)
<b>Total comprehensive income &amp; expenditure</b>	<b>(41,071)</b>	<b>0</b>	<b>81,124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,053</b>	<b>59,301</b>	<b>99,354</b>	<b>(1,554)</b>	<b>97,800</b>
Adjustments between group accounts and the authorities accounts	825							825	0	825	4,682	5,507
<b>Net increase/(decrease) before transfer</b>	<b>(40,246)</b>	<b>0</b>	<b>81,124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,878</b>	<b>59,301</b>	<b>100,179</b>	<b>3,128</b>	<b>103,307</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>												
<b>- Adjustments primarily involving the Capital Adjustment Account</b>												
Charges for depreciation and impairment of non-current assets	23,284		(28,293)					(5,009)	5,009	0		0
Revaluation (gains)/losses on Property, Plant and Equipment			(37,835)					(37,835)	37,835	0		0
Movement in the market value of Investment Properties	(1,121)							(1,121)	1,121	0		0
Amortisation of intangible assets	117							117	(117)	0		0
Capital grants and contributions applied							(31,649)	(31,649)	31,649	0		0
Revenue expenditure funded from capital under statute	9,769							9,769	(9,769)	0		0
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	11,875		6,008					17,883	(17,883)	0		0
<b>-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>												
Statutory provision for the financing of capital investment	(4,966)		(4,554)					(9,520)	9,520	0		0
Capital expenditure charged against the General Fund and HRA balance	(215)		(588)					(803)	803	0		0
<b>-Adjustments primarily involving the Capital Grants Unapplied Account:</b>												
Application of grants to capital financing credited to the Comprehensive Income and Expenditure Statement									0	0		0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(16,937)						16,937		0	0		0
<b>-Adjustments primarily involving the Capital Receipts Reserve:</b>												
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,433)		(6,091)			9,524			0	0		0
Use of Capital Receipts Reserve to finance new capital expenditure						(937)		(937)	937	0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	921					(921)			0	0		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						400		400	(400)	0		0
Repayment of long term debtors						984		984	(984)	0		0
<b>-Adjustments primarily involving the Major Repairs Reserve:</b>												
Reversal of Major Repairs Allowance credited to the HRA			(6,900)		6,900				0	0		0
Use of Major Repairs Reserve to finance new capital expenditure					(6,900)			(6,900)	6,900	0		0
Use of Major Repairs Reserve to finance previous years capital expenditure									0	0		0
<b>- Adjustments primarily involving the Financial Instruments Adjustment Account:</b>												
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	391							391	(391)	0		0
<b>- Adjustments Primarily involving the Pensions Reserve:</b>												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	30,156		1,283					31,439	(31,439)	0		0
Employer's pension contributions and direct payments to pensioners payable in year	(12,817)		(276)					(13,093)	13,093	0		0
<b>- Adjustment primarily involving the Collection Fund Adjustment Account</b>												
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,412)							(1,412)	1,412	0		0
<b>- Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account</b>												
Amounts by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	1,650							1,650	(1,650)	0		0
<b>-Adjustments primarily involving the Accumulated Absences Account:</b>												
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	59		(20)					39	(39)	0		0
<b>-Adjustments between accounting basis and funding basis under regulations</b>	<b>37,321</b>	<b>(77,266)</b>				<b>9,050</b>	<b>(14,712)</b>	<b>(45,607)</b>	<b>45,607</b>	<b>0</b>		<b>0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(2,925)</b>	<b>0</b>	<b>3,858</b>	<b>0</b>	<b>0</b>	<b>9,050</b>	<b>(14,712)</b>	<b>(4,729)</b>	<b>104,908</b>	<b>100,179</b>	<b>3,128</b>	<b>103,307</b>
Transfer to/(from) earmarked reserves	3,959	(6,095)	(100)	100	0	82	0	(2,054)	2,054	0		0
<b>(Increase)/decrease in year</b>	<b>1,034</b>	<b>(6,095)</b>	<b>3,758</b>	<b>100</b>	<b>0</b>	<b>9,132</b>	<b>(14,712)</b>	<b>(6,783)</b>	<b>106,962</b>	<b>100,179</b>	<b>3,128</b>	<b>103,307</b>
Balance at 31 March 2016	14,119	22,362	22,103	9,100	9,753	9,132	9,223	95,792	177,702	273,494	(8,953)	264,541

Group Comprehensive Income and Expenditure Statement

2014/15 £ '000		2015/16 £ '000	2015/16 £ '000	2015/16 £ '000
Net expenditure		Expenditure	Income	Net expenditure
	<b>Gross expenditure, gross income and net expenditure of continuing operations</b>			
46,936	Adult Social Care	63,342	(15,829)	47,513
1,472	Central Services to the Public	2,957	(2,244)	713
44,136	Childrens' and Education Services	172,184	(112,260)	59,924
12,244	Corporate and Democratic Core	12,686	(13,182)	(496)
14,804	Cultural and Related Services	2,197	(51)	2,146
2,228	Environmental and Regulatory Services	21,535	(8,864)	12,671
12,022	Highways, Roads and Transport Services	51,719	(38,573)	13,146
(37,173)	Housing Services	39,800	(122,161)	(82,361)
1	Planning Services	23,323	(8,510)	14,813
9,554	Public Health	3,920	(2,082)	1,838
1,107	Other Services	12,286	(11,621)	665
918	Non-distributed Costs	5,575	0	5,575
<b>108,249</b>	<b>Cost of Services</b>	<b>411,524</b>	<b>(335,377)</b>	<b>76,147</b>
	<b>Other Operating Expenditure</b>			
112	Levies payable			115
806	Payments to Housing capital receipts to Government Pool			921
(8,225)	(Gain) or loss on disposal of non-current assets			2,972
15	RTL restructuring costs			69
<b>(7,292)</b>				<b>4,077</b>
	<b>Financing and Investment Income and Expenditure</b>			
14,505	Interest payable on debt, finance leases (lessee), and interest element of PFI unitary charge			14,385
16	Premium on early repayment of debt			19
11,580	Pensions interest costs, net of expected return of scheme assets			11,642
(1,332)	Investment interest income			(1,362)
1,362	Changes in fair value of investment properties			(2,426)
(173)	(Gain) or loss on disposal of investment properties			5,082
(1,154)	Rentals received on investment properties			(1,420)
115	Expenses incurred on investment properties			0
<b>24,919</b>				<b>25,920</b>
	<b>Taxation and Non-specific Grant income</b>			
(66,492)	Council Tax			(70,350)
(27,522)	NDR			(29,823)
(33,179)	RSG			(24,295)
(6,306)	Non-service related revenue grants and contributions			(6,027)
(37,028)	Non-service related capital grants and contributions			(16,936)
<b>(170,527)</b>				<b>(147,431)</b>
<b>(44,651)</b>	<b>(Surplus) or deficit on provision of services</b>			<b>(41,287)</b>
64	Tax expenses - Corporation tax payable			65
<b>(44,587)</b>	<b>Group (Surplus) or deficit</b>			<b>(41,222)</b>
(3,887)	(Surplus) or deficit on revaluation of non current assets			(23,826)
272	Valuation (gains)/losses in Fair Value of investments			(158)
77,733	Actuarial gains/losses on pension assets/liabilities			(31,837)
411	Deferred Tax on Pension liability (RTL)			(696)
(14)	Group adjustments			(4)
<b>29,928</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>			<b>(97,743)</b>

## Group Accounts

### Group Balance Sheet

31st March 2015 £ '000		31st March 2016 £ '000	31st March 2016 £ '000
<b>Tangible Fixed Assets</b>			
<b>Operational Assets</b>			
328,531	Council Dwellings	399,644	
251,530	Other Land & Buildings	295,783	
30,172	Plant, Furniture & Equipment	31,570	
206,232	Infrastructure Assets	213,183	
11,539	Community Assets	<u>11,711</u>	951,891
<b>Non-Operational Assets</b>			
32,033	Investment Properties	29,046	
4,728	Available for Sale Financial Instruments	11,886	
5,000	Surplus Assets	4,895	
449	Assets under construction	180	
0	Assets held for sale	<u>0</u>	46,007
458	<b>Intangible Fixed Assets</b>		476
<u>870,672</u>	<b>Total Fixed Assets</b>		<u>998,374</u>
825	<b>Heritage Assets</b>		917
44	<b>Long Term Investments</b>		57
38	<b>Long Term Debtors</b>		1,836
<u>871,579</u>	<b>Total Long Term Assets</b>		<u>1,001,184</u>
<b>Current Assets</b>			
6,347	Assets held for sale		3,291
390	Inventory		518
37,623	Debtors		30,343
15,000	Short Term Investments		0
31,486	Cash and Cash Equivalents		11,415
<u>962,425</u>	<b>Total Assets</b>		<u>1,046,751</u>
<b>Current Liabilities</b>			
(9,525)	Temporary Borrowing		(21,074)
(60,592)	Creditors		(55,947)
(11,008)	Capital Grants - Receipts in advance		(8,841)
0	Short Term Lease Liabilities		(1,020)
<u>881,300</u>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>959,869</u>
(301,116)	<b>Long Term Borrowing</b>		(294,522)
(8,186)	<b>Long Term Finance Lease Liabilities</b>		(10,154)
(33,777)	<b>PFI Finance Lease Liabilities</b>		(31,760)
(11,860)	<b>Provisions</b>		(13,971)
(365,127)	<b>Liability related to defined benefit pension scheme</b>		(344,921)
<u>161,234</u>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>264,541</u>
<b>Financed by:</b>			
<i>General Reserves</i>			
23,935	Capital Grants Unapplied		9,223
37,457	Earmarked Reserves		31,462
9,868	General Fund Balance		10,692
18,345	Housing Revenue Account		22,103
(12,515)	Profit & Loss Reserve		(9,394)
3,217	Schools balances		3,427
434	Trust Funds		441
9,753	Usable Capital Reserve		18,885
90,494			<u>86,839</u>
<i>Unusable Reserves</i>			
79,698	Revaluation Reserve		98,084
340,712	Capital Adjustment Account		411,173
813	Financial Instruments Adjustment Account		422
0	Equal Pay Backpay Account		(1,650)
239	Deferred Capital Receipts		1,893
(350,957)	Pension Reserve		(333,986)
(272)	Available for Sale Financial Instruments Account		(114)
3,342	Collection Fund Adjustment Account		4,754
(2,835)	Accumulated Absences		(2,874)
70,740			<u>177,702</u>
<u>161,234</u>	<b>TOTAL RESERVES AND BALANCES</b>		<u>264,541</u>

Group Cashflow Statement

31 March 2015 £ '000		31 March 2016 £ '000
44,587	Net (surplus) or deficit on the provision of services	41,222
26,070	Adjust net surplus or deficit on the provision of services for noncash movements (Note A)	6,518
(43,863)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	(28,262)
26,794	Net cash flows from Operating Activities	19,478
(3,285)	Investing Activities (Note C)	(35,337)
(6,372)	Financing Activities (Note D)	(4,212)
17,137	Net increase or decrease in cash and cash equivalents	(20,071)
14,345	Cash and cash equivalents at the beginning of the reporting period	31,482
31,482	Cash and cash equivalents at the end of the reporting period	11,410

Notes to the Group Cashflow statement are provided in note 4, page 115.

## Notes to the Group Accounts

### 1. Comprehensive Income and Expenditure Statement

This statement shows the expenditure and income for the group, analysed by service and how it was financed.

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

- Inclusion of RTL expenditure (net of transactions with other group bodies) totalling £27.4m within Highways, Roads and Transportation.
- Inclusion of RTL income (net of transactions with other group bodies) totalling £24.3m within Highways, Roads and Transportation.
- Inclusion of pensions interest costs and return on assets for RTL (2014/15 net costs of £1.1m, 2013/14 net costs of £1.1m)

The notes to the Comprehensive Income and Expenditure Statement are not materially altered by the inclusion of the subsidiaries in these accounts, therefore the notes provided on pages 37 to 94 still apply with the exception of note 31, page 82. The information set out below supplements the information provided on these pages.

### 2. Pension Costs

RTL operates two defined benefit pension schemes for employees:

- Employees at 20<sup>th</sup> October 1986 have been deemed to be employees of RBC for pension purposes and are members of the Local Government superannuation scheme, to which the company contributes in accordance with the Local Government Superannuation regulations.
- Employees who joined the company between 20<sup>th</sup> October 1986 and 31<sup>st</sup> March 2010, together with any employees who were eligible for the Local Government scheme 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.

RTL also operates a defined contribution pension scheme for the benefit of employees who joined the company after 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 31<sup>st</sup> March 2013). Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from the employees' services. Variations in the pension cost are spread over the expected service lives on current employees.

No other retirement benefits are provided to RTL employees.

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

2014 £ '000		2015 £ '000
65,741	Balance at start of year	68,645
1,163	Current service cost	1,351
2,795	Interest cost	2,561
1,386	Actuarial losses	87
74	Contributions	72
(2,483)	Benefits paid	(2,730)
(31)	Unfunded pension payments	(30)
<u>68,645</u>	Balance at end of year	<u>69,956</u>

b) Reconciliation of fair value of plan assets

2014 £ '000		2015 £ '000
45,760	Balance at start of the year	50,932
2,362	Expected return on plan assets	2,425
3,445	Actuarial gains/(losses)	3,567
1,805	Contributions by company	2,051
74	Contributions by participants	72
(2,514)	Benefits paid	(2,760)
<u>50,932</u>	Balance at end of the year	<u>56,287</u>

c) Reconciliation to the balance sheet

2014 £ '000		2015 £ '000
68,187	Present value of funded obligations	69,583
(50,932)	Fair value of plan assets	(56,287)
<u>17,255</u>		<u>13,296</u>
458	Present value of unfunded obligations	373
<u>17,713</u>	Plan deficit	<u>13,669</u>
(3,543)	Related deferred tax asset	(2,734)
<u>14,170</u>	<b>Net liability</b>	<u>10,935</u>



d) Amounts recognised in the profit and loss account

2014		2015
£ '000		£ '000
	Included in administrative expenses:	
1,163	Current service costs	1,351
	Included in other finance costs:	
2,795	Interest cost	2,561
(2,362)	Expected return on plan assets	(2,425)
1,596		1,487

e) Amounts recognised in the Statement of Total Recognised Gains and Losses

2014		2015
£ '000		£ '000
2,059	Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	3,480
(15,465)	Cumulative actuarial losses recognised in the statement of total recognised gains and losses	(11,985)

An analysis of the actuarial gains/(losses) recognised in the statement of total recognised gains and losses, split between each scheme is shown below:

2,350	Reading Transport Staff Retirement Scheme	2,832
(291)	Local Government Superannuation Fund	648
2,059		3,480

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

2014		2015
%		%
	Major categories of plan assets	
52.03	Equities	40.29
4.41	Other bonds	4.00
10.27	Property	10.11
25.68	Cash	39.89
0.29	Gilts	0.25
4.98	Target return portfolio	4.47
2.34	Commodities	0.99
1.17	Infrastructure	0.99
-1.17	Longevity Insurance	-0.99
100.00		100.00

g) Principal actuarial assumptions:

2014		2015	
%		%	
3.80	Discount rates		3.60
	Expected rates of return on plan assets:		
5.50	Equities		5.00
3.80	Gilts		3.70
5.50	Other bonds		5.00
3.00	Property		2.50
4.10	Cash		0.00
2.30	Future salary increases		2.40
3.30	Inflation assumption (RPI)		3.30
2.20	CPI increase		2.40
3.00	Future pension increases - pre 1997*		3.00
3.40	Future pension increase - pre 1997 - 2006*		3.40
2.20	Future pension increases		2.20

\* applicable to the Reading Transport Staff Retirement Scheme only

3. Balance Sheet

The notes to the group balance sheet are not materially changed by the inclusion of the subsidiaries in these accounts; therefore the notes provided on pages 37 to 94 still apply, with the exception of the following notes:

- Group Debtors

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

2014/15	2015/16		
	Group	RBC	RTL
£'000	£'000	£'000	£'000
37,623 Sundry Debtors	28,117	2,226	30,343
<u>37,623</u>	<u>28,117</u>	<u>2,226</u>	<u>30,343</u>

• Group Creditors

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

2014/15	2015/16			
Group	RBC	RTL	Group	
£'000	£'000	£'000	£'000	
(60,592)	Sundry Creditors	(49,471)	(4,854)	(54,325)
<u>(60,592)</u>		<u>(49,471)</u>	<u>(4,854)</u>	<u>(54,325)</u>

4. Notes to the Cash Flow Statement

a) Note A

2014/15		2015/16
£ '000		£ '000
<u>44,587</u>	Net Surplus or (Deficit) on the Provision of Services	<u>41,222</u>
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
38,675	Depreciation	(1,800)
(25,788)	Impairment and downward valuations	(37,835)
(235)	Amortisation	(166)
7,214	Increase/Decrease in Creditors	3,051
(14,267)	Increase/Decrease in Debtors	7,854
170	Increase/Decrease in Inventories	(129)
13,001	Pension Liability	17,082
7,300	Other non-cash movements	18,461
<u>26,070</u>		<u>6,518</u>
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(34,256)	Capital Grants credited to surplus or deficit on the provision of services	(16,937)
4,810	Net adjustment from the sale of short and long term investments	(39)
16	Premiums or Discounts on the repayment of financial liabilities	(20)
(14,433)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11,266)
<u>(43,863)</u>		<u>(28,262)</u>
<u>26,794</u>	Net Cash Flows from Operating Activities	<u>19,478</u>

## b) Note B

2014/15 £ '000		2015/16 £ '000
<b>Operating activities within the cashflow statement include the following cash flows relating to interest</b>		
1,315	Interest Received	12,982
(13,442)	Interest Paid	(10,278)
<u>(12,127)</u>		<u>2,704</u>

## c) Note C

2014/15 £ '000		2015/16 £ '000
(53,594)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(69,248)
(51,040)	Purchase of short and long term investments	(158,924)
15,531	Proceeds from the sale of property plant and equipment, investment property and intangible assets	10,608
52,186	Proceeds from short-term and long-term investments	166,939
33,632	Other Receipts from Investing Activities	15,288
<u>(3,285)</u>	<b>Total Cash Flows from Investing Activities</b>	<u>(35,337)</u>

## d) Note D

2014/15 £ '000		2015/16 £ '000
352	Cash receipts of short and long term borrowing	17,520
691	Billing Authorities - Council Tax and NNDR adjustments	(5,316)
(7,023)	Repayment of Short-Term and Long-Term Borrowing	(15,188)
(141)	Other receipts from financing activities	35
(507)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,263)
<u>(6,628)</u>	<b>Total Cash Flows from Financing Activities</b>	<u>(4,212)</u>

e) Note E

As at 31st March 2015 £ '000		As at 31st March 2016 £ '000
31,486	Cash and Bank Balances	11,415
<u>31,486</u>		<u>11,415</u>

## Glossary

### *Accounts and Audit Regulations 2011*

The secondary legislative framework setting out the requirements for the Statement of Accounts, including the timetable and process for their approval.

### *Accruals*

The basis of the Council's accounts - income and expenditure is accounted for in the financial period in which the goods or services are provided or received (as appropriate), rather than when they are physically paid for in cash.

### *Acre Road Industrial Estate Limited (ARIEL)*

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

### *Amortisation*

The reduction in the fair value of an intangible asset by writing down its cost over a period of years.

### *Assets held for sale*

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

### *Audit and Governance Committee*

The purpose of the Audit Committee & Governance Committee is to provide independent assurance of the adequacy of the risk management framework, corporate governance and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

### *Balance Sheet*

All of the assets, liabilities, balances and reserves of the Council at the end of the financial year.

### *Business Improvements District (BID)*

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

### *Capital*

Items of expenditure that the Council expects to benefit from for more than one year, which adds to the value of an asset, or increases the life of that asset.

### *Cash equivalents*

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

### *Cashflow Statement*

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

### *CIPFA*

The Chartered Institute of Public Finance and Accountancy.

### *Collection Fund*

A separate account maintained to keep the transactions relating to the collection and distribution of NNDR and Council Tax separate to those of the Council's other activities.

*Components*

Major, separately identifiable, parts of a larger asset that either contribute a significant part of the overall value of the asset, or which have a significantly different useful economic life to the host asset.

*Comprehensive Income and Expenditure Statement*

An annual statement summarising all the Council's transactions over the course of a year.

*Contingent Assets*

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

*Contingent Liabilities*

Liabilities that the Council believes it may be liable for in the future, but the timing or amounts involved are uncertain. Disclosure is by way of a note to the accounts

*Corporate Management Team (CMT)*

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

*Council Tax*

A form of local taxation based on historic banded property values, which contributes to the total income of the Council.

*Debtor*

An individual or company who owed the Council money at the end of the financial year.

*Dedicated Schools Grant (DSG)*

A ring fenced grant from the Department for Education for the financing of the Schools' budget.

*Deferred Capital Receipts*

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

*Depreciation*

The reduction in the fair value of tangible asset by writing down its cost over a period of years.

*Dwelling Stock*

The housing estate owned by the Council in the Housing Revenue Account.

*Freehold*

An asset (usually land or buildings) that the Council owns, as opposed to leases.

*FRS*

Financial Reporting Standard, a UK Accounting Standard that the Council has followed in the preparation of the Accounts.

*General Fund*

All of the Council's accounts and activities, apart from the items of Housing covered by the HRA. These costs are met in part by the revenues raised through Council Tax.

*General Reserves*

Reserves held by the Council that can be used to finance capital or revenue activities.

*Group Accounts*

The accounts and financial position of the Council and all of its recognised subsidiaries, from which any transactions between members of the group have been removed.

*Heritage Assets*

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

*Housing Revenue Account*

The separate account relating to the Council's housing stock, the costs of which are met in part by rent collected from Council Tenants.

*IASB*

International Accounting Standards Board - the independent standard setting body of the IFRS foundation; its members are responsible for the development and publication of IFRSs.

*IFRIC*

International Financial Reporting Interpretations Committee, an international Accounting Standard that the Council has followed in the preparation of the Accounts.

*Impairments*

A reduction in the value of an asset below the amount previously recognised on the balance sheet for it.

*Intangible assets*

A non-monetary asset which has no physical form, for example software licenses.

*International Financial Reporting Standards (IFRS)*

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

*Inventories*

Formerly known as stock; goods the Council either trades in, or which form components of work the Council does to its property on a day to day basis.

*Investment properties*

Properties that the Council owns for rental income or capital appreciation only; these assets provide no service benefits.

*Leases*

An agreement by which the Council uses assets owned by a third party (leased in) or the Council grants use of one of its assets to a third party. These can vary from short term agreements to terms in excess of one hundred years. All leases have been assessed to see if they should be treated as finance leases (capital) or operating leases (revenue).

*Local Government Pension Scheme*

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

*Long term borrowing*

Borrowing with a maturity period at the year-end date of more than 365 days.

*Major Repairs Reserve (MRR)*

A reserve within the Housing Revenue Account that receives the depreciation charges the Council makes on its housing stock which may be used for HRA capital expenditure or to repay HRA debt.

*Movement in Reserves Statement*

A financial statement within the annual accounts summarising all of the movements between the Council's reserves.



*National Non-Domestic Rates*

Also known as Business Rates - a business's NNDR liability is calculated by multiplying the nationally determined multiplier rate by the business's rateable value (subject to various transitional and other reliefs).

*Precepting bodies*

Bodies that can put in a demand against the Collection Fund. These bodies are: Reading Borough Council, The Royal Berkshire Fire and Rescue Service and Thames Valley Police.

*Private Finance Initiative (PFI)*

A means of acquiring services and assets through the use of an external company to whom performance risk is transferred. Contract lengths are typically 20-40 years, and involve some capital investment in the early contract years with regular performance related payments to the company, that may be split between repayment of the principal sum relating to the lease of assets, an element for interest and a service or management charge.

*Property, plant and equipment*

The non-current assets (or fixed assets) held by the Council.

*Provisions*

Sums identified as being required to meet known future liabilities whose timing is uncertain.

*Queens Road Car Park Limited (QRCP)*

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

*Reading Economic Development Company Limited (REDCo)*

The holding company for ARIEL and QRCP.

*Reading Transport Limited (RTL)*

A subsidiary company owned by the Council formed to meet the requirement of the Transport Act. It provides bus services in the greater Reading area.

*Reserves*

Balances recognized by the Council, and that back up the assets and liabilities in the balance sheet. These reserves are in turn split between general reserves and unusable reserves.

*Revaluation Gains*

An increase in the value of an asset upon revaluation, rather than upon disposal. For investment properties, these gains are recognised in the Comprehensive Income and Expenditure Statement as being a return on the investment.

*Revenue*

The day to day items of income and expenditure received and incurred by the Council.

*Revenue expenditure funded from capital under statute (REFCUS)*

Capital expenditure on assets not owned by the Council, for example making disabled access adaptations to a privately owned home.

*Service Reporting Code of Practice (SeRCOP)*

The CIPFA code that provides guidance on financial reporting to stakeholders.

*Social Housing Adjustment factor*

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

*Statement of Accounting Policies*

The rules and practices adopted by the Council that determine how transactions and events are shown or costed.

*Teacher Pension Scheme*

The main occupational pension scheme for Teachers.

*The Code of Practice on Local Authority Accounting in the United Kingdom*

Produced by CIPFA, this document specifies the principles and practices of accounting required to give a true and fair view of the financial position and transactions of the Council.

*Unusable Reserves*

Reserves held by the Council in regards to accounting treatments that the Council has had to follow as a result of the Code, and its predecessor document the SORP.

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