

Statement of Accounts 2019-20



Reading
Borough Council

Working better with you

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Narrative Report

This narrative report provides information about Reading Borough Council and the environment in which it operates in order to provide context to the financial statements that follow.

The report includes:

- An introduction to Reading, its strategic positioning, social economic environment and demography
- An overview of the Council's aims and priorities, and highlights of some of our achievements during 2019/20
- An overview of the Council's financial performance in 2019/20

Covid-19

The first death from Covid-19 in the UK was confirmed on 5 March 2020. The Council announced the closure of most council buildings in the week commencing 16 March and the Thames Valley Local Resilience Forum declared a major incident on 20 March 2020. National 'stay at home' restrictions came into force on 26 March 2020.

In response to the immediate crisis, the council set up a GOLD and SILVER response structure, allowing it to provide an enhanced managed response to the emergency, whilst feeding into the regional processes. The council also identified a strategic framework for the duration of the emergency and recovery period during which its priority objectives were:

- a) To support and protect vulnerable children and adults by ensuring the social care system continues to function effectively
- b) To support the people who are most vulnerable and isolated in our communities
- c) To support businesses and the local economy, and secure Reading's economic recovery

The One Reading Community Hub went live two days after the announcement of full lockdown, working with the voluntary sector to provide support and shielding to the most vulnerable people in Reading, registering over 1,000 volunteers.

By June 2020 we had credited over 1,400 businesses with rate relief worth £53m and had allocated £24m in support grants to 1,750 small businesses.

The impact of Covid-19 on the Council's finances has been wide-reaching and will be long-lasting. The initial effects were seen in late March as the national response to the spread of the virus intensified. The subsequent closure of shops, offices and leisure facilities resulted in some of the Council's key income streams drying up almost overnight, while applications for local council tax support and requests for business rates relief increased sharply. These effects continued throughout 2020/21, with gross revenue pressures as a result of Covid-19 totalling £16.448m. Funding received from Central Government included £13.269m of Central Government general support grant, £5.842m in compensation for lost income from sales, fees & charges, and £1.305m furlough grant, leaving £3.968m of unallocated Covid-19 grant funding to be rolled forward as an earmarked reserve into 2021/22.

An introduction to Reading

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

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

Reading is home to 163,200 people living in 55,700 households. 67% of residents identify themselves as white British, 8% as 'other' white, 13% as Asian and 8% as black. The town's population has increased by 10% over the past 10 years and this rate of growth is expected to continue.

Reading Borough Council – Our priorities, aims and achievements

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

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

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

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

Performance is monitored against the corporate priorities, with more formal quarterly reporting to the Council's Policy Committee. The Quarter 4 Performance Report presented to Policy Committee on 22 June 2020 provides details of 2019/20 performance:

Securing the economic success of Reading
<ul style="list-style-type: none"> • 81.7% of people were economically active • 98.82% of households have access to superfast broadband • £64,152 Gross Value Added per worker
Improving access to decent housing to meet local needs
<ul style="list-style-type: none"> • 673 cases of positive action in preventing homelessness • 55% of houses of multiple occupancy licensed under mandatory licensing schemes • Nil - Number of families in bed and breakfast accommodation (shared facilities).
Protecting & enhancing the lives of vulnerable adults & children in Reading
<ul style="list-style-type: none"> • 19.68% of service users receiving Direct Payments • 408.87 permanent new admissions to residential or nursing care per 100,000 population for older people (65+) • 15.71 permanent new admissions to residential or nursing care per 100,000 population for younger people (18-64) • 95% - timeliness of Early Help Assessment (Percentage of cases completed within 5 weeks). • 1,645 days that people are unable to leave hospital because of social care delays • 69% of children looked after placed within 20 miles • 15.2% of children looked after experienced 3+ placements in past 12 months • 277 children looked after
Keeping Reading's environment clean, green and safe
<ul style="list-style-type: none"> • 35.3% of household waste sent for re-use, recycling and composting • 8.3 – Reduction in total recorded crime rates (per 1,000 of population).
Promoting health, education, culture and wellbeing
<ul style="list-style-type: none"> • 723 Secondary School Fixed Term exclusions • 30.2 Key Stage 2 results gap in attainment • 30.6 Key Stage 3 results gap in attainment • 91.7% of schools rated good or outstanding • 340,394 participation at council cultural venues • 68% levels of activity – active at least 150 minutes per week
Ensuring our Council is fit for the future
<ul style="list-style-type: none"> • 86% customer satisfaction with our front of house service • 96.17% of Council Tax collected within the year • 97.71% of Business Rates collected within the year

In June 2016 Reading children's services were judged inadequate by Ofsted. The Council on the advice of the Department for Education set up a new company, Brighter Futures for Children Limited, to deliver all Children, Education, Special Educational Needs and Disabilities and Early Help services. Brighter Futures for Children Limited was formally incorporated on 5 April 2018 and started trading on the 3rd of December 2018. Another Ofsted inspection took place between 16 September 2019 and 27 September 2019 and all four categories of assessment were upgraded from "inadequate" to "requires improvement to be good".

2019/20 Revenue Budget

Reading Borough Council approved the 2019/20 budget at its meeting on 26 February 2019.

The original General Fund budget for 2019/20 was set at £139.5m. This included growth in service budgets of £12.5m; savings measures of £10.5m and a contingency provision of £4.4m to mitigate risks relating to delivery of planned savings.

Band D Council Tax was set at £1,627.23 for 2019/20, an increase of 2.99%.

The Council's net budget of £139.5m for the year is funded from a combination of £90.9m Council Tax, £42.0m Retained Business Rates, £3.7m New Homes Bonus, £2.2m Section 31 Grant, £0.5m Business Rates Levy Rebate and a £0.2m Council Tax Collection Fund Surplus.

2019/20 Financial Performance

The provisional revenue and capital outturn positions for the 2019/20 financial year for Reading Borough Council were presented to Policy Committee on 22 June 2020. The key headlines included:

General Fund services

A net £3.065m underspend against the 2019/20 General Fund budget, including £1.053m of additional costs and reduced income as a result of Covid-19 and an overspend of £1.093m for Brighter Futures for Children that was funded by the Council.

The General Fund capital programme underspent by £3.806m.

The Housing Revenue Account

The Housing Revenue Account underspent by £12.1m against the approved budget. This has been transferred to the HRA Reserve which is available for future years spend within the HRA to maintain or improve existing dwellings or to create new homes.

The HRA capital programme underspent by £1.401m.

Performance of Council owned companies

The Council's year-end Balance Sheet includes investments in limited companies and joint ventures. Its three principal interests are Brighter Futures for Children, Reading Transport Limited, and Homes for Reading. All three are wholly owned subsidiaries of the Council. Brighter Futures for Children has only just completed its first year of business and its first set of accounts audited. A summary of the most recent audited accounts for 2019/20:

	Reading Transport Ltd (Draft) Year Ended 05/04/2020 £'000	Homes for Reading Year Ended 31/03/2020 £'000	Brighter Futures for Children Year Ended 31/03/2020 £'000
Turnover	72,531	1,281	91,838
Profit / (Loss) after tax	(1,766)	(127)	(3,765)

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

Reserves

Total usable reserves have increased by £23.163m, from £155.340m to £178.503m.

Included within this total:

The unearmarked General Fund balance has remained stable at £7.5m.

Earmarked General Fund reserves have increased by £8.793m from £43.848m to £52.641m.

Housing Revenue Account reserves have increased by £2.452m from £43.295m to £45.747m.

The Capital Receipts reserve has increased by £2.717m, from £8.632m to £11.349m.

The Major Repairs reserve has increased by £0.613m, from £1.988m to £2.601m.

Capital Grants unapplied have increased by £8.588m, from £50.077m to £58.665m.

The Balance Sheet

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

Usable reserves and balances have been built up over time and can be used to fund future service costs or capital expenditure. Unusable reserves cannot be accessed and relate primarily to statutory accounting adjustments for capital transactions and pensions. A summary of the balance sheet as at 31 March 2020 is:

	31 March 2019 £'000	31 March 2020 £'000
Long Term Assets	1,136,061	1,154,954
Current Assets	96,481	91,432
Current Liabilities	(115,636)	(81,292)
Long Term Liabilities	(830,051)	(824,761)
Net Assets	286,855	340,333
Usable Reserves	(155,340)	(178,503)
Unusable Reserves	(131,515)	(161,830)
Total Reserves	(286,855)	(340,333)

Capital Investment

The Council recognises the importance of investing in the future and spent £85.2m on capital projects during 2019/20, including £40m on the purchase of commercial property. Projects were funded by a combination of government grants, capital receipts, external borrowing and the use of cash balances and reserves.

Treasury Management

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

The position on loans, investment and cash as at 31 March 2020 are shown below:

	31 March 2019 £'000	31 March 2020 £'000
Long Term Investments	27,222	20,808
Cash Balances	34,311	34,395
Short Term Borrowing	(47,908)	(3,137)
Long Term Borrowing	(348,960)	(401,559)

All investing and borrowing is undertaken in line with the Treasury Management Strategy approved by Full Council each year. In 2019/20, the Strategy was focussed on maximising the benefits of historically low interest rates whilst seeking out appropriate investment opportunities outside the banking sector. Further details of the Strategy for 2019/20, approved as a part of the Budget report, can be accessed via the Council's website.

Pensions

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

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

Following actuarial valuation of the Pension Fund at March 2020, there is a net pension liability in the balance sheet of £395.7m relating to the Council's participation in the Royal County of Berkshire Pension Fund – the equivalent deficit figure for 2018/19 is £454.3m.

The outstanding deficit of £395.7m has a significant impact on the Council's overall net worth as stated in the Balance Sheet. The Council's Medium-Term Financial Strategy provides additional contributions to be made to the Pension Fund above its annual liabilities relating to active/retired staff in order to continue to address the deficit.

Other assets and liabilities

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

Risk Management

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

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

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

Looking ahead

A balanced budget was set by Full Council in February 2020, including total savings of £32.9m and budget growth of £26.6m for the three years of the MTFS.

The longer-term position remains uncertain, including the delayed implementation of Fair Funding; the continued use of one-year funding settlements; and the impact of Covid-19 on income levels.

A guide to the Financial Statements

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

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

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

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

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

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

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

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

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

The Notes provide more detail about individual transactions and balances.

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

Annual Governance Statement

SCOPE OF RESPONSIBILITY

Reading Borough Council is responsible for ensuring that:

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

The Council also has a duty to:

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, cultures and values which underpin how the Council is controlled and managed internally, and how it engages with taxpayers, service users and the wider community. The governance framework as described in the Council's constitution (https://www.reading.gov.uk/media/1338/Constitution-of-The-Council/pdf/Constitution_of_the_Council.pdf) enables the Council to monitor delivery of its strategic objectives and assess whether those objectives are securing service improvements and value for money. Systems of internal control and risk management are a significant part of the governance framework and are designed to manage risk down to a reasonable level. Some risks can never be eliminated entirely, however, and these processes provide only reasonable and not absolute assurance of effectiveness.

THE GOVERNANCE FRAMEWORK AT READING

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

- the Standards Committee investigates specific allegations of misconduct, and the Audit and Governance Committee is tasked with reviewing and considering improvements to corporate governance in general;
- all standing committees are able to undertake scrutiny of relevant functions where they think it appropriate;

Covid-19 response: governance framework

In order to focus and guide the Council's response to the Coronavirus Pandemic the Council instigated the Urgency Procedures in Article 7.7 of the Council's Constitution which allowed for a smaller group of councillors to act as the Policy Committee and make decisions on behalf of other Committees and Council.

To enable the Council to fulfil its leadership role and to guide its work with partners in providing the support that residents and businesses needed, the Council's Corporate Plan priorities were reframed to provide clarity of purpose and a three-point strategic framework was adopted based around the following three broad priorities:

- (a) To support and protect vulnerable children and adults by ensuring the social care system continues to function effectively
- (b) To support the people who are most vulnerable and isolated in our communities
- (c) To support businesses and the local economy, and secure Reading's economic recovery

Further details of the interim governance arrangements which were put in place in response to the COVID-19 pandemic can be found in the Decision Book published on 25 March 2020. <https://democracy.reading.gov.uk/ieDecisionDetails.aspx?ID=399>

The Council's governance arrangements are designed to secure compliance with the principles set out in the "CIPFA¹/SOLACE² Framework for "Delivering Good Governance in Local Authorities"³ (updated 2016):

CIPFA/SOLACE Framework for "Delivering Good Governance in Local Authorities

Behaving with integrity

Codes of Conduct set out expected standards of behaviour for staff and councillors and the standards committee investigates any allegations of non-compliance. The Council's Section 151 Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements.

Ensuring openness

The Council consults regularly with stakeholders, taxpayers and service users. Consultation has been undertaken in respect of 20 separate topics since 1 April 2019, and the Consultation Hub on the Council's website enables local people to find, participate in, and view outcomes from, any consultation activities that interest them. In addition, 20 different committees⁴ and forums are in place to represent local views on a range of subjects including transport, disabled access, children's services and community safety.

Defining sustainable outcomes

The Corporate Plan sets out how the Council aims to work in partnership over the next three years to achieve six agreed objectives. These key objectives are designed to be both financially and environmentally sustainable and have been developed in consultation with partners and local people. The Medium-Term Financial Strategy makes a realistic assessment of financial resources available, and the Budget and Policy Framework approved by Council each year sets out revenue and capital spending limits, savings and efficiency targets as well as key improvement priorities for the forthcoming year.

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives.

³ Also referred to as "the Framework", see CIPFA website <https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

⁴ A smaller group of councillors acted as the Policy Committee and made decisions on behalf of other Committees and Council during the Council's response to the COVID-19 pandemic.

Achieving intended outcomes

The four standing committees are responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in each service area. The Projected Outturn reports to Policy Committee summarise the financial position to date against budget and delivery of agreed savings targets. Key performance indicators are reviewed quarterly by the Corporate Management Team and Policy Committee.

Developing capacity

Maximising capacity by working collaboratively is a key component of the Corporate Plan and a number of longstanding partnership working arrangements are in place. The Constitution sets out how the governance aspects of these arrangements should operate in practice. The Learning and Workforce Development Team has a specific role and remit to improve the capability and capacity of Council officers by offering a range of skills and qualification-based training opportunities.

Managing risks

The Strategic Risk Register provide a high-level overview of key risks which are reported to management and to councillors at least twice a year. Financial Procedure Rules and Financial Regulations, together with Contracts Procedure Rules and Employment Procedure Rules, set out the framework of internal controls. Internal Audit have a programme of work designed to assess how this framework operates in practice and report to the Audit and Governance Committee.

Transparency and accountability

All Council meetings are held in public and minutes of meetings and webcasts are available on the Council's website. Following the closure of the Council offices in March 2020, the Council moved to online meetings which could be viewed by residents via a link from the Council's website.

Managing the risk of Fraud

The financial resources available to the Council need to be maximised and used effectively, in order to help achieve the corporate strategies. One aspect to assisting with maximising available resources is to reduce the opportunity for fraud and misappropriation. This is done through proactive and reactive investigations. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate any allegation of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution.

Individual fraud cases are normally handled by the Audit & Investigations Team who mainly deal with fraud encountered in areas such as benefits schemes (e.g. Council Tax support etc.), council tenancies, blue badges and social care payments. Quarterly updates are provided to the Council's Audit & Governance Committee.

We have no knowledge of any actual, suspected or alleged fraud affecting the Authority, which would cause a material misstatement in the financial statement's either through fraudulent financial reporting and/or misstatements resulting from misappropriation of assets for 2019/2020.

REVIEW OF EFFECTIVENESS

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with governance about the quality and effectiveness of the governance framework and systems of internal control. The internal team completed 24 audits and 2 grant certifications. A further 6 audits had fieldwork completed at 31 March 2020, but with reports to be finalised. 101 audit recommendations have been made, of which 14 (17%) were classified as a high priority.

Public Sector Internal Audit Standards require the Chief Auditor to provide an assessment of the overall adequacy and effectiveness of the Council's control environment. This opinion is expressed using a scale ranging from Substantial to Reasonable, then Limited and finally No Assurance. The Chief Auditor has concluded that only Limited Assurance can be placed on the Council's internal control framework for 2019/20, largely because of weaknesses in key financial systems (<https://democracy.reading.gov.uk/documents/s13296/AnnualAssurance-CoverReport.pdf>).

Assistant Directors and Executive Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. These reviews identified improvements to governance arrangements and internal control during the year, namely:

- Delivered a new senior management structure with the appointments at both Executive Director and Assistant Director within the Directorate of Economic Growth and Neighbourhood services (DEGNS)
- Following the iTrent roll out a further restructure of HR has been completed to address in particular; the Council's Organisational Development capability.
- A Leadership and Management Development Programme for all people managers commenced in Q4. However, the Covid-19 Pandemic has stalled rollout.
- The iTrent⁵ reimplementation project has been completed. The system provides a full audit trail and has significantly improved HR controls, particularly around pay, establishment and performance management. It has also significantly streamlined the Council's recruitment process thereby improving value for money (VFM).
- The annual verification process to verify eligibility for Single person discount, thereby reducing loss of Council Tax has been completed.
- External Audit certified there was no Housing Benefit Subsidy loss to the Council for the second year running.
- A piece of diagnostic work undertaken by CIPFA⁶ has been used to inform a Finance Improvement Programme aligned to the new Financial Management Code⁷ which will deliver in 2020/21.
- The Council's 2016/17, 2017/18 and 2018/19 Statements have been signed off by the auditors and published.
- A Hub and Spoke delivery model has been agreed for Procurement together with a restructure of the Corporate Procurement Team to strengthen the Council's procurement and contract management activity. The new structure provides support for Accounts Payable in terms of supplier set up, thereby facilitating improved separation of duties.

⁵ Council's HR system

⁶ Chartered Institute of Public Finance and Accountancy

⁷ the Chartered Institute of Public Finance and Accountancy, has launched its Financial Management (FM) Code, to drive improvement in financial management for councils across the United Kingdom

- A review of the Council's security policies and cyber security arrangements has resulted in the commissioning of cyber security training for all staff.
- Microsoft Office 365 has been rolled out across the Council and desktops/laptops are in the process of being upgraded to Windows 10.
- The Council has reviewed its Customer and Corporate Services structure to strengthen the Council's approach in dealing with Freedom of Information requests and supporting information governance more generally.
- A new Customer Experience Strategy has been agreed with Phase 1 to be implemented in 2020/21.
- A review of the Council's Corporate Board Structure which is responsible for tracking performance in key areas has been completed with new arrangements put in place.
- The Eligibility Review and Risk Group (ERRG) ensures personalised Support Plans are in place for any new packages of social care support. Further auditing has taken place through the Safeguarding Team and these reports have been used to update and improve practice.
- Case work is regularly audited in Adult Social Care supervisions and prior to ERRG submissions.

In addition to the above and as a result of the Covid-19 pandemic the Council quickly put in place:

- An emergency operations structure, incorporating a Gold-Silver-Bronze decision-making structure and Emergency Operations Centre.
- Arrangements to track the financial implications of the pandemic on the Council's resources.
- Arrangements for democratic decision making in line with the Council's Constitution and emergency legislation including remote decision making.
- Following the immediate response stage, implemented three recovery Boards and reporting arrangements which link into both the Thames Valley and Local Resilience Forum Framework.

Other governance outcomes are shown below:

Issues Identified	Performance in 2019/2020
Formal reports by s151 or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer Investigations	The monitoring officer has considered 11 complaints about member conduct.
Proven frauds carried out by councillors or members of staff	None
Objections received from local electors	No objections have been received from local electors
Local Government Ombudsman referrals upheld	The Local Government Ombudsman (LGO) upheld 3 complaints, none of which had a public interest report published.
Information Commissioner referrals upheld	One was upheld in 2019/2020

External Audit

The Council's external auditor, Ernst & Young (EY), issued a qualified opinion for the 2016/17 accounts because of a number of historic and significant control deficiencies. This led to delays in the publishing of annual accounts, for 2017/18 and 2018/19. However, Statements have now been published for both financial years and the audits completed.

Officers have also been fully engaged in completing the 2020/21 unaudited accounts which are expected to be completed by the end of December 2021 and available for public inspection shortly thereafter.

Other Inspection work

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

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

CONCLUSION

The Council is satisfied that suitable and appropriate governance arrangements are in place. However, there is more to do, in particular to:

- Implement the Finance Improvement Programme necessary to ensure the Council's financial processes and procedures are robust. The Finance Improvement Board chaired by the Executive Director of Resources will oversee delivery of this over the next 12 months.
- Improve financial performance monitoring to ensure that over and underspends are accurately recorded, and mitigations measures agreed.
- Complete the review of HR Policies which wasn't completed as planned in 2019/2020.
- Roll out cyber security training to all staff and recommence the Leadership and Management Development Programme.
- Embed the Council's new Information Governance Board and good practice following from this.
- Continue to raise the profile of Audit and embed a culture of compliance by addressing recommendations on a timely basis.
- Continue to support the Internal Audit team and ensure that its recommendations are actioned in a timely way by managers with progress reported regularly to the Audit and Governance Committee.
- Review governance processes in MOSAIC (Adult Social Care Database) to better control how records are updated.
- Improve management oversight of contracts – and securing a single place to record all relevant contracts.

- Revise and update performance management measures within service plans including measures to monitor the delivery of key capital programme projects and expenditure.
- Ensure that performance measures remain focused on the delivery of key Council priorities including its response to Covid-19.

Additionally, in response to the Covid-19 pandemic the Council will:

- Review options to address the budget gap in 2020/21 and the sustainability of the Council's Medium-Term Financial Plan (MTFP) and;
- Consider the policy implications of any changes to the Council's future operating model as a result of Covid-19.

CERTIFICATION

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

Signed on behalf of Reading Borough Council by:

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

.....Peter Sloman, Chief Executive

Independent Auditors Report to the Members of Reading Borough Council

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

Statement of Responsibilities

Responsibilities of the Council

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, for 2019/20, the Chief Financial Officer was the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Arrange for the approval of the Statement of Accounts at the conclusion of the audit; in this Council, the approval is delegated to the Audit and Governance Committee.

Responsibilities of the Chief Financial Officer

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

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

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

The Chief Financial Officer has also:

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

Approval of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.



Darren Carter
Director of Finance (S151 Officer)

9 November 2021

Comprehensive Income and Expenditure Statement

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

2018/19			2019/20			
Expenditure	Income	Net	Expenditure	Income	Net	
£000	£000	£000	£000	£000	£000	
68,014	(27,840)	40,174	Adult Care and Health Services	69,787	(28,899)	40,888
98,810	(79,795)	19,015	Corporate Support Services	86,107	(72,891)	13,216
142,659	(97,267)	45,392	Children, Education and Early Help Services	151,438	(92,993)	58,445
103,506	(45,713)	57,793	Environment and Neighbourhood Services	111,975	(51,296)	60,679
26,592	(40,292)	(13,700)	Housing Revenue Account	37,520	(39,817)	(2,297)
439,581	(290,907)	148,674	Cost of Services	456,827	(285,896)	170,931
		(537)	Other Operating Expenditure (Note 10)			(1,845)
		20,127	Financing and Investment Income and Expenditure (Note 11)			23,314
		(186,638)	Taxation and Non Specific Grant Income (Note 12)			(182,192)
		(18,374)	(Surplus) or Deficit on Provision of Services			10,208
		(3,428)	(Surplus)/deficit on revaluation of non-current assets			16,917
		(12,151)	Remeasurement of the net defined benefit liability			(80,602)
		64	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income			-
		(15,515)	Other Comprehensive Income and Expenditure			(63,685)
		(33,889)	Total Comprehensive Income and Expenditure			(53,477)

Movement in Reserves Statement

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

2018/19	Unearmarked General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Restated Balance at 31 March 2018	(7,000)	(24,417)	(31,417)	(26,853)	(9,441)	(36,294)	(23,473)	(1,328)	(37,659)	(130,171)	(122,795)	(252,966)
Movement in reserves during 2018/19												
(Surplus) or deficit on the provision of services	(10,518)		(10,518)	(7,856)		(7,856)				(18,374)		(18,374)
Other Comprehensive Income / Expenditure											(15,515)	(15,515)
Total Comprehensive Income and Expenditure	(10,518)		(10,518)	(7,856)		(7,856)	-			(18,374)	(15,515)	(33,889)
Adjustments between accounting basis and funding basis under regulations	(9,645)		(9,645)	855		855	14,841	(660)	(12,418)	(7,027)	7,027	-
Net Increase or Decrease before Transfers to Earmarked Reserves	(20,163)		(20,163)	(7,001)		(7,001)	14,841	(660)	(12,418)	(25,401)	(8,488)	(33,889)
Transfers to / from Earmarked Reserves	19,663	(19,431)	232	307	(307)	-				232	(232)	-
Increase or Decrease in 2018/19	(500)	(19,431)	(19,930)	(6,694)	(307)	(7,001)	14,841	(660)	(12,418)	(25,169)	(8,963)	(33,889)
Balance at 31 March 2019	(7,500)	(43,848)	(51,348)	(33,547)	(9,748)	(43,295)	(8,632)	(1,988)	(50,077)	(155,340)	(131,515)	(286,855)

2019/20	Unearmarked General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2019	(7,500)	(43,848)	(51,348)	(33,547)	(9,748)	(43,295)	(8,632)	(1,988)	(50,077)	(155,340)	(131,515)	(286,855)
Movement in reserves during 2019/20												
(Surplus) or deficit on the provision of services	6,725		6,725	3,483		3,483				10,208		10,208
Other Comprehensive Income / Expenditure											(63,686)	(63,686)
Total Comprehensive Income and Expenditure	6,725		6,725	3,483		3,483	-			10,208	(63,686)	(53,478)
Adjustments between accounting basis and funding basis under regulations	(15,518)		(15,518)	(5,935)		(5,935)	(2,717)	(613)	(8,588)	(33,371)	33,371	-
Net Increase or Decrease before Transfers to Earmarked Reserves	(8,793)		(8,793)	(2,452)		(2,452)	(2,717)	(613)	(8,588)	(23,163)	(30,315)	(53,478)
Transfers to / from Earmarked Reserves	8,793	(8,793)	-	162	(162)	-				-		-
Increase or Decrease in 2019/20	-	(8,793)	(8,793)	(2,290)	(162)	(2,452)	(2,717)	(613)	(8,588)	(23,163)	(30,315)	(53,478)
Balance at 31 March 2020	(7,500)	(52,641)	(60,141)	(35,837)	(9,910)	(45,747)	(11,349)	(2,601)	(58,665)	(178,503)	(161,830)	(340,333)

Balance Sheet

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

31 March 2019		Note	31 March 2020
£000			£000
1,038,138	Property, Plant and Equipment	14	1,016,866
2,691	Heritage Assets	15	2,768
43,753	Investment Property	16	79,060
1,307	Intangible Assets		2,454
27,222	Long-Term Investments	18	20,808
22,950	Long-Term Debtors	20	32,998
1,136,061	Long Term Assets		1,154,954
-	Assets Held for Sale		-
233	Inventories		236
61,937	Short-Term Debtors	20	56,801
34,311	Cash and Cash Equivalents	21	34,395
96,481	Current Assets		91,432
(47,908)	Short-Term Borrowing	17	(3,137)
(56,053)	Short-Term Creditors	22	(66,761)
(9,871)	Short-Term Provisions	23	(9,188)
(989)	PFI Short-Term Liabilities and Deferred Income		(974)
(815)	Deferred Income		(1,232)
(115,636)	Current Liabilities		(81,292)
(500)	Long-Term Provisions	23	(796)
(348,960)	Long-Term Borrowing	17	(401,559)
(454,347)	Liability relating to defined benefit pension scheme	41	(395,684)
(26,244)	PFI Long-Term Liabilities and Deferred Income	39	(25,270)
-	Deferred Income		(1,452)
(830,051)	Long Term Liabilities		(824,761)
286,855	Net Assets		340,333
(155,340)	Usable Reserves	24	(178,503)
(131,515)	Unusable Reserves	25	(161,830)
(286,855)	Total Reserves		(340,333)

Cash Flow Statement

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

2018/19		Note	2019/20
£000			£000
(18,374)	Net (surplus) or deficit on the provision of services		10,208
(38,988)	Adjustment to surplus or deficit on the provision of services for non-cash movements	26	(94,597)
24,724	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	26	23,615
(32,638)	Net cash flows from operating activities		(60,774)
33,462	Net cash flows from investing activities	27	64,441
(5,300)	Net cash flows from financing activities	28	(3,751)
(4,476)	Net (increase) or decrease in cash and cash equivalents		(84)
29,835	Cash and cash equivalents at the beginning of the reporting period	21	34,311
34,311	Cash and cash equivalents at the end of the reporting period	21	34,395

Note 1 - Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position as at the 31 March 2020.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When revenue or expenditure is recognised, but the cash has not transferred, a debtor or creditor for the relevant amount is included in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- With effect from 2017/18, the Council has set a general de minimis level for accruals that are calculated manually at year end, this is to avoid additional time and cost in the preparation of the accounts. The level has been set at £5,000 for 2019/20 and will be reviewed annually.

iii. Cash and Cash Equivalents

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

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

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

iv. Employee Benefits

Benefits Payable during employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an Officer's employment before the normal retirement date or an Officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are charged on an accruals basis to the Corporate Support Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

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

- a) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- b) The Local Government Pension Scheme (LGPS), administered by the Royal Borough of Windsor and Maidenhead;
- c) The National Health Service Pension scheme.

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

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

The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme.

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

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

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

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

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

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

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and are accounted for on the same basis as Defined Benefit Schemes.

v. Financial Instruments

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

Financial Liabilities

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

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

For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2020.

Financial Assets

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

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

vi. Government Grants and Contributions

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

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

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

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

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

vii. Interests in Companies and Other Entities

Companies

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

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

Schools

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

viii. Investment Property

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

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

ix. Leases

Council as Lessor

- *Finance leases*

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

Income from lessees is apportioned between:

- a charge to write down the lease debtor for the acquisition of the leased item; and

- finance income (i.e. interest) which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

- *Operating Leases*

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

x. Overhead and support service recharges

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

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

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

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

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

xii. Property, Plant and Equipment

Recognition

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

future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially valued at cost comprising:

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

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amounts are not materially different from the current value at the year-end, but as a minimum every five years. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only – the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss

previously charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

Impairment

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the capital receipts reserve and can then only be used for new capital investment [or set aside to reduce the authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves statement.

xiii. Service Concessions

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

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

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

The amounts payable to the PFI operators each year are analysed into five elements:

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

xiv. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

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

xv. Reserves

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

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

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

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

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure and Financing disclosure in Note 37.

During the period 1 April 2016 to 31 March 2025 the Council are allowed under Guidance published by MHCLG the flexible use of capital receipts on areas of revenue cost to reform which generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts a transfer to the Capital Adjustment Account reverses the amounts charged to the

Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

xvii. Value Added Tax (VAT)

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

Going Concern

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

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

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

The current restrictions in place within the United Kingdom in response to COVID-19 have created significant issues for many businesses and residents and as a result from April 2020, the Council has experienced financial pressures in terms of lost income and additional expenditure incurred. The government has provided some financial support for Local Authorities to help mitigate some of the pressures being experienced due to the crisis. The Council has so far received a total of £13.269 million in general support funding from Central Government in this regard.

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

Date	Unearmarked General Fund Balance	Earmarked Reserves	Housing Revenue Account Balance
	(£m)	(£m)	(£m)
31 March 2018	(7.000)	(24.417)	(36.294)
31 March 2019	(7.500)	(43.848)	(43.295)
31 March 2020	(7.500)	(52.641)	(45.747)

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

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

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

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

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

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

Based on the Council's assessment at the end of Quarter One of 2020/21, the net total impact of COVID-19 on the General Fund in 2020/21 is currently estimated to be a reduction of £5.527 million. This is assuming no extra funding not already announced from central Government but does include an estimated £6.000 million in respect of the local government income compensation scheme for lost sales, fees and charges, no re-prioritisation of services or alternative service provision. By way of context, the Total General Fund balance as at 31 March 2020 is £58.015 million (subject to year-

end adjustments and audit), which consists of an Unearmarked General Fund balance of £7.500 million and Earmarked Reserves of £50.515m.

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

Note 2 - Accounting Standards Issued, Not Adopted

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2020 for 2019/20). Disclosure requirements are expected to be included in a subsequent edition of the Code.

Changes in the 2020/21 Code of practice that will be introduced in future versions of the accounts include –

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015–2017 Cycle.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to line item specifications for the net assets statement.
- Amendments to IAS 1 and IAS 8 definitions of material.
- Legislative amendments relating to investments in specified pooled investment funds that are measured at fair value through profit or loss, and back payments following unequal pay.
- IFRS 16 Leases will apply from 1 April 2021, requiring lessees to recognise most leases as right-of-use assets with corresponding lease liabilities.

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

Note 3 - Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty regarding future levels of funding for Local Government and the impact of the decision for Britain to leave the Economic Union (EU) remains unclear. However, the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close associated facilities.

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

The Council has a number of properties for which it receives rental income. The nature of these holdings has been assessed against the Code requirements for Investment Properties in line with IAS 40 Investment Property, and the definition of this asset class. Properties that are held principally for the rental incomes received, or for increases in the capital value of the building, have been treated as Investment Properties, with the income and expenditure resulting from them included within the 'Investment Income' line in the Comprehensive Income and Expenditure Statement (CIES).

The Council has completed a school by school assessment across the different schools operated within the Borough to determine the individual accounting treatments. Judgements have been made to determine the arrangements in place and the accounting treatment of the Non-Current Assets. As a result, the Council recognises school assets for Community schools on the Balance Sheet. The Council does not recognise assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Free Schools as the view has been adopted that these entities were deemed to be owned by the relevant Dioceses or Trust following consultation and review. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.

The Council has to determine whether individual leases are Operating or Finance in nature, based upon assessment criteria as outlined in IAS 17 Leases and IFRIC 4 Determining whether or not an arrangement contains a lease. The relevant accounting policy applied to the lease is based upon the outcome of this assessment.

Based upon the criteria described in the Code, the Council has undertaken a detailed review to assess the extent of Group accounting relationships. The Council has identified the entities that it consolidates on the basis of materiality in relation to the financial statements. Reading Transport Limited (RTL), Homes for Reading (HfR) and Brighter Futures for Children (BFfC) are deemed to constitute a material Group interest and these wholly-owned subsidiaries have been consolidated within the Group Accounts. The Council has a number of interests in other entities which have been deemed as falling outside the scope of consolidation on the grounds of significant influence and control in line with the Code. Furthermore, the Council's interests in these entities in aggregate are not sufficiently substantial to warrant consolidation within the Group Accounts.

In 2018/19 the Council transferred a number of staff to the newly established Council subsidiary, Brighter Futures for Children Ltd. As part of the transfer agreement the Council provided an indemnity to the company in respect of all costs, liabilities, contributions and expenses which relate

to any deficits in the Local Government Pension Fund from time to time. Management's view is that this indemnity provides a constructive obligation on the Council to meet the post-employment benefits of staff who transferred to the company at the transfer date of 1 December 2018. Accordingly, the Council has accounted for the liabilities arising in Note 41 and in accordance with IAS 19.

The Council have considered the impact on pension liabilities due to the McCloud, Goodwin and similar court cases. Advice has been received from the Pension Fund actuary which has been taken into account by the Council. As a result, it is expected that the value of pension liabilities will increase.

Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.81m for every year that useful lives had to be reduced.

Valuation of HRA dwellings

The valuation of HRA dwellings has been split between land and buildings, based on the hectareage of HRA dwellings multiplied by residential land values per hectare in order, to estimate depreciation. The annual depreciation would decrease by £0.03m for a 1% reduction in the land value percentage and would increase by the same amount for a 1% increase in the land value percentage.

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about these assumptions and judgments and has provided the sensitivity analysis shown below for 2019/20:

Appendix 4 Sensitivity analysis

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	761,456	777,142	793,166
Projected service cost	21,123	21,684	22,260
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	778,290	777,142	776,002
Projected service cost	21,684	21,684	21,684
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	792,073	777,142	762,511
Projected service cost	22,262	21,684	21,120
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	808,397	777,142	747,168
Projected service cost	22,360	21,684	21,029

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

Arrears

At 31 March 2020, the authority had a balance of sundry debtors of £11.590m. A review of significant balances suggested that an impairment of doubtful debts of £3.190m was appropriate. If collection rates were to deteriorate, a 1% increase in the value of impairments for doubtful debts would require an additional £116,000 to set aside as an allowance.

Service Concessions

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

Inflation increases will lead to the Council having to pay over more to the contractor, and therefore amounts disclosed will be understated. If the contractor's performance is below the service level that has been built into the financial model linked to the Scheme, the contractor will have penalty charges levied against it and therefore the Council's costs will be lower than disclosed. Estimates may also be impacted by other assumptions (e.g. waste volumes).

A 1% increase in the amount payable to the contractors due to inflation would result in an estimated additional annual cost of approximately £97,000.

Business ratepayer appeals

Business ratepayers may lodge appeals against the rateable value given to their properties on the current rating list. The Council makes a provision for this in the Collection Fund, estimated as the expenditure required to settle outstanding appeals based on the likely outcome of those appeals. The provision at 31 March 2019 was £5.47m, which is shared between the Council, Central Government and the Fire Authority. The Council's share of this provision totals £4.05m.

The provision at 31 March 2020 has been calculated based on appeals submitted and analysis of appeals submitted in other areas. The eventual outcome of all outstanding appeal cases cannot be assessed with certainty. A 1% variance between actual and expected outcomes would increase the Council's share of potential write offs by £40,500.

Note 5 - Material Items of Income and Expense

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

- £7.6m (£8.1m 2018/19) to RE3 Ltd for waste collection and disposal under the waste collection service concession;
- £47.8m (£11.0m 2018/19) to BFC for provision of Children's Services. The first full year of the contract was 2019/20;
- £6.7m (£6.6m 2018/19) to Affinity (Reading) Ltd under a service concession to refurbish council-owned housing at North Whitley;
- £1.9m (£2.1m 2018/19) to Bracknell Forest Borough Council for public health services under a joint arrangement;
- £4.2m (£3.8m 2018/19) to Reading Transport Ltd for providing free travel under the Concessionary Fares Scheme;
- £4.0m (£3.4m 2018/19) to Northgate Public Services (UK) Ltd for the provision of IT services.

Note 6 - Events After the Balance Sheet Date

Events taking place after October 2021 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

COVID-19

Covid -19 has had a significant impact on the Council's 2020/21 financial position as reflected in the 2020/21 Outturn Report. Additional expenditure, undeliverable savings and lost income as a result of the Pandemic were mitigated in year by one-off funding from Central Government but uncertainty remains as to the ongoing financial impact. The Council set a balanced budget for 2021/22 in February 2021 by assuming a small draw from earmarked reserves, but this is not sustainable longer term. The residual ongoing budget gap in 2022/23 and 2023/24 of the Medium Term Financial Strategy will be addressed as part of 2022/23 budget setting.

Note 7 - Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund and HRA Balance	2018/19		Net Expenditure in the Comprehensive Income and Expenditure Statement	2019/20		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£000	£000	£000	£000	£000	£000	£000
38,715	1,459	40,174	Adult Care and Health Services	38,839	2,049	40,888
14,798	4,217	19,015	Corporate Support Services	20,689	(7,473)	13,216
45,007	385	45,392	Children, Education and Early Help Services	50,113	8,332	58,445
28,487	29,306	57,793	Environment and Neighbourhood Services	33,699	26,980	60,679
(14,873)	1,173	(13,700)	Housing Revenue Account	(5,474)	3,177	(2,297)
112,134	36,540	148,674	Net Cost of Services	137,866	33,065	170,931
(139,298)	(27,750)	(167,048)	Other Income and Expenditure	(149,110)	(11,613)	(160,723)
(27,164)	8,790	(18,374)	Surplus or Deficit on Provision of Services	(11,244)	21,452	10,208
(67,711)			Opening Combined General Fund and HRA Balance			(94,642)
(27,164)			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)			(11,246)
233			Transfers to unusable reserve			-
(94,642)			Closing Combined General Fund and HRA Balance			(105,888)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (Government Grants, Rents, Council Tax and Business Rates).

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

Note 7a - Note to the Expenditure and Funding Analysis

	2018/19			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Adult Care and Health Services	420	1,020	18	1,458
Corporate Support Services	11,754	1,241	(8,778)	4,217
Children, Education and Early Help Services	(3,710)	3,288	807	385
Environment and Neighbourhood Services	26,623	2,609	74	29,306
Housing Revenue Account	(294)	1,461	7	1,174
Net Cost of Services	34,793	9,619	(7,872)	36,540
Other Income and Expenditure	(31,929)	10,382	(6,203)	(27,750)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	2,864	20,001	(14,075)	8,790

	2019/20			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Adult Care and Health Services	334	1,705	10	2,049
Resources & Corporate Budgets	(7,940)	251	216	(7,473)
Children, Education and Early Help Services	5,167	3,660	(495)	8,332
Environment and Neighbourhood Services	22,412	4,528	40	26,980
Housing Revenue Account	2,090	1,083	4	3,177
Net Cost of Services	22,063	11,227	(225)	33,065
Other Income and Expenditure	(19,519)	10,713	(2,807)	(11,613)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	2,544	21,940	(3,032)	21,452

Adjustments for capital purposes

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

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

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 7b - Segmental Analysis of Income and Expenditure

2018/19 £000		2019/20 £000
(14,882)	Adult Care and Health Services	(13,165)
(16,568)	Corporate Support Services	(54,658)
(11,601)	Children, Education and Early Help Services	(86,026)
(40,661)	Environment and Neighbourhood Services	(5,490)
(36,264)	Housing Revenue Account	(4,063)
(119,976)	Total	(163,402)

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

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

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

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

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

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

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

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

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

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

2018/2019	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(18,600)	(1,401)				20,001
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	-					-
Council tax and NDR (transfers to or from the Collection Fund)	6,203					(6,203)
Holiday pay (transferred to the Accumulated Absences reserve)	(915)	(33)				948
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)			8,820			(8,820)
Charges for depreciation and impairment of non-current assets	(27,832)	(7,658)				35,490
Movements in the market value of investment properties	277					(277)
Amortisation of intangible assets	(740)					740
Revenue expenditure funded from capital under statute	(7,300)					7,300
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal	(1,139)	(1,870)				3,009
Capital grants and contributions unapplied	32,099				(32,099)	-
Total Adjustments to Revenue Resources	(17,947)	(10,962)	8,820		(32,099)	52,188
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,475	3,617	(5,093)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,421)		1,421			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		7,820		(7,820)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	8,225	380				(8,605)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	22					(22)
Total Adjustments between Revenue and Capital Resources	8,301	11,817	(3,672)	(7,820)	-	(8,627)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			11,261			(11,261)
Use of the Major Repairs Reserve to finance new capital expenditure				7,403		(7,403)
Application of capital grants to finance capital expenditure					19,681	(19,681)
Cash payments in relation to deferred capital receipts			(249)			249
Total Adjustments to Capital Resources	-	-	11,012	7,403	19,681	(38,096)
Other adjustments – repayment of borrowing			(1,319)			1,319
Total Adjustments	(9,645)	855	14,841	(417)	(12,418)	6,784

2019/2020	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(20,261)	(1,678)	-	-	-	21,939
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(542)	-	-	-	-	542
Council tax and NDR (transfers to or from the Collection Fund)	2,807	-	-	-	-	(2,807)
Holiday pay (transferred to the Accumulated Absences reserve)	456	(19)	-	-	-	(437)
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	131	-	199	-	-	(330)
Charges for depreciation and impairment of non-current assets	(25,926)	(16,970)	-	-	-	42,896
Movements in the market value of investment properties	(4,633)	-	-	-	-	4,633
Amortisation of intangible assets	(548)	-	-	-	-	548
Revenue expenditure funded from capital under statute	(9,378)	-	-	-	-	9,378
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal	(1,630)	(1,383)	-	-	-	3,013
Capital grants and contributions unapplied	33,216	-	-	-	(33,216)	-
Total Adjustments to Revenue Resources	(26,308)	(20,050)	199	-	(33,216)	79,375
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,931	3,056	(5,987)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(905)	-	905	-	-	-
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve	-	10,654	-	(10,654)	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	8,624	405	-	-	-	(9,029)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	139	-	-	-	-	(139)
Total Adjustments between Revenue and Capital Resources	10,789	14,115	(5,082)	(10,654)	-	(9,168)
Adjustments to Capital Resources	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	10,886	-	-	(10,886)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	10,041	-	(10,041)
Application of capital grants to finance capital expenditure	-	-	-	-	24,628	(24,628)
Cash payments in relation to deferred capital receipts	-	-	(1,593)	-	-	1,593
Total Adjustments to Capital Resources	-	-	9,293	10,041	24,628	(43,962)
Other adjustments	-	-	(7,127)	-	-	7,127
Total Adjustments	(15,518)	(5,935)	(2,717)	(613)	(8,588)	33,371

Note 9 - Transfers to/from Earmarked Reserves

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

	Balance at 1 April 2018	Transfers In	Transfers Out	Balance at 31 March 2019	Transfers In	Transfers Out	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Emergency Planning, Legal and Taxation, and Property Liabilities	(650)	(300)	250	(700)	(2,210)	300	(2,610)
Organisational Change, DSG & Schools	(3,928)	(4,161)	7,486	(603)	(1,700)	1,393	(910)
Pension Liabilities	(1,087)	(13)	-	(1,100)	(758)	758	(1,100)
Collection Fund Smoothing	-	(7,182)	-	(7,182)	(3,933)	4,834	(6,281)
Abortive Capital Costs	-	(500)	-	(500)	-	-	(500)
IT & Digital	-	(1,500)	-	(1,500)	(778)	-	(2,278)
Flexible Capital Receipts	-	(10,459)	-	(10,459)	(772)	-	(11,231)
Schools Deficit	-	(800)	-	(800)	(200)	150	(850)
Capital Finance Smoothing	-	(12,812)	6,453	(6,359)	(10,606)	8,768	(8,197)
Communications	-	(200)	-	(200)	-	-	(200)
Redundancy	-	(500)	-	(500)	(920)	421	(999)
HB Subsidy Loss	-	(150)	-	(150)	(150)	-	(300)
Demographic & Cost-Led Pressures	-	(2,000)	-	(2,000)	-	-	(2,000)
Brexit reserve	-	(105)	-	(105)	-	105	-
2018/19 MHCLG Levy Surplus Reserve	-	(463)	-	(463)	-	463	-
Public Health	(567)	(53)	-	(620)	-	71	(549)
Revenue Grant Unapplied Reserve	(3,851)	(855)	885	(3,821)	(5,768)	1,942	(7,647)
Self Insurance	(5,517)	-	40	(5,477)	-	3,163	(2,314)
Adult Social Care	-	(951)	-	(951)	-	-	(951)
Childrens' Strategic Reserve	(250)	-	250	-	-	-	-
Resilience Reserve	(7,362)	-	7,362	-	(3,988)	825	(3,163)
Parking & Transportation Reserve	(1,097)	-	1,097	-	(3,381)	3,381	-
Advice & Wellbeing Hub	-	-	-	-	(239)	-	(239)
Other	(108)	(250)	-	(358)	(1)	37	(322)
Total General Fund	(24,417)	(43,254)	23,823	(43,848)	(35,404)	26,611	(52,641)
Housing Revenue Account Reserves:							
North Whitley PFI	(9,441)	(307)	-	(9,748)	(162)	-	(9,910)
Total Housing Revenue Account	(9,441)	(307)	-	(9,748)	(162)	-	(9,910)
Total Earmarked Reserves	(33,858)	(43,561)	23,823	(53,596)	(35,566)	26,611	(62,551)

The Council holds these Reserves for the following purposes:

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

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

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

The **DSG & Schools Reserve** has been established to help meet the costs of the Council's change programmes and associated costs, to hold balances held by Schools under the delegation scheme and residual balances on the Dedicated Schools Grant. The Schools element of £2.677m comprises the unspent revenue balances held by schools in surplus, offset by the overdrawn revenue balances of schools in deficit. This part of the balance can only be used by the Schools and are not available to the Council for general use. The Dedicated Schools Grant element is the overdrawn balance of £1.768m against the ring-fenced Dedicated Schools Grant, which is used for related Schools expenditure as directed by the Schools Forum.

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

The **Collection Fund Smoothing Reserve** has been setup to provide for the potential downturn in the economy that would reduce the level of Business Rates/Council Tax;

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

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

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

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

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

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

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

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

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

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

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

The **Public Health Reserve** has been created in line with the conditions of the Public Health grant to carry forward unspent grant to support Public Health expenditure in 2019/20;

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

The **Self-Insurance Reserve** was formed to meet estimated liabilities in connection with internally-held risks related to the Council's Insurance programme. In particular, the first £100,000 of any claim bought under the Council's Third Party and Employer's Liability Insurance is internally funded; for fire-related claims, the first £50,000 of any claim is internally funded. Following an independent review £2.5m of reserves was moved to the General Fund at the end of 2016/17 and an Insurance Provision was created to meet the estimated costs of known claims;

The **Adult Social Care Reserve** has been created to cover potential future liabilities in relation to Adults' Social Care services;

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

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

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

The **General Fund Reserve (Other)** consists of a number of small reserves set-up for specific purposes in the General Fund, including Climate and Environmental Change.

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

Note 10 - Other Operating Expenditure

2018/19		2019/20
£000		£000
124	Levies	127
1,421	Payments to the Government Housing Capital Receipts Pool	905
(2,082)	Gains/losses on the Disposal of Non-Current Assets	(2,877)
(537)	Total Other Operating Expenditure	(1,845)

Note 11 - Financing and Investment Income and Expenditure

2018/19		2019/20
£000		£000
14,201	Interest payable and similar charges	15,585
11,125	Net interest on the net defined benefit liability (asset)	10,713
(1,689)	Interest receivable and similar income	(2,855)
(3,278)	Income and expenditure in relation to investment properties and changes in their fair value	(671)
(232)	Other investment income and expenditure	542
20,127	Total	23,314

Note 12 - Taxation and Non-Specific Grant Income

2018/19		2019/20
£000		£000
(86,541)	Council Tax income	(90,716)
(58,574)	Non-Domestic rates income and expenditure	(45,158)
(9,424)	Non-ringfenced government grants	(13,102)
(32,099)	Capital grants and contributions	(33,216)
(186,638)	Total	(182,192)

Note 13 - Expenditure and Income Analysed by Nature

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

2018/19		2019/20
£000	Nature of Expenditure or Income	£000
139,052	Council employees	120,733
10,399	Voluntary Aided Schools	10,139
149,451	Sub total	130,872
36,473	Depreciation, amortisation, impairment	43,444
25,326	Interest payments	26,298
253,520	Other service expenses	283,180
81,037	Business Rates Tariff	57,084
1,420	Payments to Housing Capital Receipts Pool	905
547,227	Total Expenditure	541,783
(128,204)	Revenue from external customers and other service income	(131,502)
(5,199)	Interest and investment income	(3,526)
(226,152)	Income from Council Tax and NDR	(192,958)
(203,964)	Government grants and contributions	(200,712)
(2,082)	Net gain on Asset Disposals	(2,877)
(565,601)	Total Income	(531,575)
(18,374)	Surplus or Deficit for Year	10,208

Note 14 - Property, Plant and Equipment

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

Asset type	Valuation basis	Date of valuation	Valuation frequency
Council dwellings	Existing Use Value – Social Housing	31 March 2020	Annual
Other land and buildings	Existing Use Value	31 March 2020	Five-yearly
Surplus Assets	Fair value	31 March 2020	Annual

Other land and buildings and surplus asset valuations were undertaken by the external Valuer Sanderon Weatherall LLP, under the direction of Ian Vivian, MRICS. The valuation date is the 31 March 2020 for all valuations completed.

Vehicles, plant and equipment are valued at depreciated historic cost, as a proxy for current value on the basis that these are low value assets and/or have short lives. There is one exception which is the plant and equipment of the two Waste Disposal Assets in which the Authority has a share of the interest. These assets are subject to valuation as outlined in the valuation information provided below.

Revaluations

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations have been carried out externally as detailed above.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimate set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

Amenity land rate £36K per Hectare
Low value land rate £3,750K per Hectare
High value land rate £5,250K per Hectare

For DRC Valuations:

Assessments are modelled on the core build cost derived from BCIS that is relevant to property type

Contingency of 5% and Professional Fees of 12.5% applied

For Valuations using MEA:

The MEA is adopted when the actual area is lower

The actual area is adopted where the MEA is larger

MEA based on DFE guidance per pupil per m²

For Valuations based on Comparable/Capitalised rent:

Running Yields and Net Initial Yields are based on value plus buyer's costs

Net Initial Yields excludes acquisition costs

Formulae as in Parry's Tables: rent annually in arrears

Stamp Duty is progressive and derived from the set "HMRC (UK excl Scotland, 2019)"
 Cap Adj running yield is based on cumulative capital invested

The following statement shows the progress of Reading Borough Council's rolling programme for the revaluation of property, plant and equipment. The table shows the summary of assets revalued at each date.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
	£000 NBV	£000 NBV	£000 MBV	£000 NBV	£000 NBV
Carried at historical cost		3,104	7,152		10,256
Valued at current value:					
Prior 1 April 2016		1,401			1,401
1 April 2016		10,654	1,988		12,642
1 April 2017		19,718			19,718
31 March 2018		106,730			106,730
31 March 2019		113,358			113,358
31 March 2020	474,861	88,984		29,932	593,777
Total	474,861	343,949	9,140	29,932	857,882

All land and building assets with a value greater than £100,000 were revalued as at 31 March 2017 explaining the lower values in prior years.

Valuations were carried out by Sanderson Weatherall LLP with the exception of the two specialist Waste Disposal Assets valued by DVS Property Specialists (Valuation Office Agency) and some of the Shop Assets which were valued by BPS Chartered Surveyors in 2018 for appropriation purposes.

The Other Land and Buildings carried at historic cost relate to purchased additions of Temporary Accommodation assets; their purchase cost is deemed an appropriate estimate of current value until their valuation falls due in future years.

Property, Plant and Equipment 2018/19

Movements to 31 March 2019

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2018	496,576	389,537	21,450	286,240	12,644	28,292	12,216	1,246,955
Adjustment – revaluation	-	(50,815)	-	-	-	-	-	(50,815)
Additions	8,975	8,177	2,333	5,322	123	563	12,535	38,028
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,964)	9,237	-	-	-	139	-	3,412
Derecognition – disposals	(1,870)	(1,188)	(982)	-	-	-	-	(4,040)
Reclassifications and transfer	1,533	(995)	(722)	3,123	(4,142)	1,454	(268)	(17)
Other movements in cost or valuation	(7,820)	(624)	(433)	-	(75)	(1,685)	-	(10,637)
at 31 March 2019	491,430	353,329	21,646	294,685	8,550	28,763	24,483	1,222,886
Accumulated Depreciation and Impairment								
at 1 April 2018	-	(57,293)	(13,415)	(146,376)	(75)	-	-	(217,159)
Adjustment - revaluation	-	50,815	-	-	-	-	-	50,815
Depreciation charge	(7,820)	(9,465)	(1,209)	(15,948)	(232)	(95)	-	(34,769)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	6,773	-	1,627	(1,705)	(1,450)	(596)	4,649
Derecognition – disposals	-	203	876	-	-	-	-	1,079
Reclassifications and transfers	-	140	-	-	-	(140)	-	-
Other movements in depreciation and impairment	7,820	624	433	-	75	1,685	-	10,637
at 31 March 2019	-	(8,203)	(13,315)	(160,697)	(1,937)	-	(596)	(184,748)
Net Book Value								
at 31 March 2018	496,576	332,243	8,035	139,864	12,569	28,292	12,216	1,029,795
at 31 March 2019	491,430	345,126	8,331	133,988	6,613	28,763	23,887	1,038,138

Property, Plant and Equipment 2019/20

Movements to 31 March 2020

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2019	491,430	353,329	21,646	294,685	8,550	28,763	24,483	1,222,886
Adjustment – revaluation	-	-	-	-	-	-	-	-
Additions	11,943	11,166	2,387	4,259	143	252	12,534	42,684
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22,241)	2,707	-	-	-	2,611	-	(16,923)
Derecognition – disposals	(1,400)	(571)	(814)	-	-	(1,050)	-	(3,835)
Reclassifications and transfer	11,850	(553)	-	4,747	-	(867)	(15,177)	-
Other movements in cost or valuation	(16,719)	(8,544)	-	-	-	223	-	(25,040)
at 31 March 2020	474,863	357,534	23,219	303,691	8,693	29,932	21,840	1,219,772
Accumulated Depreciation and Impairment								
at 1 April 2019	-	(8,203)	(13,315)	(160,697)	(1,937)	-	(596)	(184,748)
Adjustment - revaluation	-	-	-	-	-	-	-	-
Depreciation charge	(10,588)	(9,781)	(1,525)	(12,698)	(30)	(17)	-	(34,639)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,175)	(3,402)	-	-	-	257	(62)	(9,382)
Derecognition – disposals	30	30	763	-	-	-	-	823
Reclassifications and transfers	14	37	-	-	-	(17)	(34)	-
Other movements in depreciation and impairment	16,719	8,544	-	-	-	(223)	-	25,040
at 31 March 2020	-	(12,775)	(14,077)	(173,395)	(1,967)	-	(692)	(202,906)
Net Book Value								
at 31 March 2019	491,430	345,126	8,331	133,988	6,613	28,763	23,887	1,038,138
at 31 March 2020	474,863	344,759	9,142	130,296	6,726	29,932	21,148	1,016,866

Note 15 - Heritage Assets

2018/19 £000	Heritage Assets	Reading Abbey £000	Civic Regalia £000	Other £000	Total 2019/20 £000
2,312	Opening Balance	2,021	491	179	2,691
363	Acquisitions	72	-	-	72
16	Revaluations	-	6	-	6
2,691	Closing Balance	2,093	497	179	2,769

Heritage assets include:

- Reading Abbey Quarter: in 2009 the remains of Reading Abbey were closed to the public. This was due to their deteriorating condition making them unsafe for visitors. The 'Reading Abbey Revealed' project was conceived by Reading Borough Council in 2010 to develop the Abbey Quarter. In December 2015 the project secured Heritage Lottery funding of £1.77m. This was match-funded by Reading Council with £1.37m from ring-fenced development contributions. This made a total of £3.15m. The Ruins re-opened to the public on 16 June 2018 and the project has run until 2020. At 31 March 2020, the Abbey Ruins are held on the Balance Sheet at historic cost. This is a change of accounting policy from the prior year where the Ruins balance was based on a land valuation from 2007 (prior to the commencement of restoration works) plus the cost of additional works carried out since the valuation. The change of accounting policy is to ensure the costs of bringing the Ruins into their current state is appropriately represented in the Accounts. <https://www.readingabbeyquarter.org.uk/>
- Civic Regalia: the collection contains around 200 items, mainly donated by individuals or organisations local to the area, and includes a George III Coronation Mace bearing the Royal Arms & Crown (dated 1769) and the Mayor's Robes and Chain. The collection is held on the Balance Sheet at insurance valuation.
- Father Willis Organ: the organ was built by Henry Willis in 1864 for the old Town Hall, which dates from 1785. The organ was rebuilt by Willis for the new Hall in 1882. The Organ is held on the Balance Sheet at the cost of the restoration works in 1999.
- Art Works: the John Piper photolithograph prints are of the Reading Tapestries – the two tapestries, Reading Townscape and Rural Reading, were commissioned by Reading Borough Council to celebrate the opening of the New Civic Offices in 1970. The tapestries are held in secure storage, with reproductions of the same hanging in the Council Chamber, Civic Offices. The prints are held on the Balance Sheet at a value based on previous sales.

Note 16 - Investment Properties

31 March 2019		31 March 2020
£000	Investment Property Income and Expenditure	£000
(3,207)	Rental income from investment property	(5,414)
206	Direct operating expenses from investment property	325
-	Other income and expenditure	-
(3,001)	Net (gain)/loss	(5,089)

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

31 March 2019		31 March 2020
Non-Current £000	Investment Properties Movements in Year	Non-Current £000
43,444	Opening Balance	43,753
31	Purchases	39,940
-	Disposals	-
278	Net gains/(losses) from fair value adjustments	(4,633)
-	Transfer to/from Property Plant and Equipment	-
43,753	Balance at the end of the year	79,060

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally by Sanderson Weatherall LLP, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The table above summarises the movement in the fair value of investment properties over the year.

Note 17 - Financial Instruments

*at the time of publishing these accounts, further work is ongoing in this area.

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

2018/19 Non-current £000	2018/19 Current £000		2019/20 Non-current £000	2019/20 Current £000
Financial Assets				
Fair Value through profit & loss:				
15,311	-	Investments ¹	14,603	-
11,959	-	Investments in subsidiaries ²	6,085	-
Amortised cost:				
	34,311	Cash and cash equivalents		34,395
22,950	23,548	Debtors	32,998	30,495
-	-	Fair value through other comprehensive income	-	-
50,220	57,859	Total financial assets	53,686	64,890
Financial Liabilities				
Amortised cost				
(348,960)	(47,909)	Loans outstanding	(401,559)	(3,137)
	(40,750)	Creditors		(33,395)
(26,244)	(989)	PFI lease liability ³	(25,269)	(974)
(375,204)	(89,648)	Total Financial Liabilities	(426,828)	(37,506)

¹ The authority's investment with the CCLA pooled investment fund was reclassified from available-for-sale to fair value through profit or loss, as there are no contractual payments comprising solely interest and principal and it is not being held as part of a business model to sell financial assets.

² Investment in subsidiaries include Homes for Reading Ltd and Reading Transport Ltd, see Group Accounts.

³ Under the Code of Practice, both short and long term PFI lease liabilities are included on the Balance Sheet as long term liabilities.

The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the Balance Sheet and Notes 20 and 22 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

Investments in equity instruments designated at fair value through other comprehensive income

The Council invested £64,000 in 60,000 shares in Municipal Bonds Agency plc (MBA) when the MBA was first established in 2015/16. The Council has designated the holding as fair value through comprehensive income as it does not hold the shares for short-term trading. Based on the latest available audited accounts to 30 November 2020, the net worth of the company is an overall loss of £719,000 (£117,000 to 30 November 2019). On this basis the value of the Council's holding of £64,000 was written out to the Financial Instruments Revaluation Reserve in 2018/19. There have been no dividends declared for the 2019/20 financial year.

Income, Expense, Gains and Losses

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

	Financial Liabilities:	Financial Assets:	Financial Assets:	Financial Assets:	2018/19
	Amortised cost	Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Realised (Gains)/Losses					
Unrealised (Gains)/Losses				4,270	4,270
Net (Gains)/Losses on Financial Instruments in Surplus/Deficit on Provision of Services	0	0	0	4,270	4,270
Interest expense	14,151				14,151
Fee expense	70			93	163
Total expense in Surplus/Deficit on the Provision of Services	14,221	0	0	93	14,314
Interest income		(897)			(897)
Dividend income/distributions				(749)	(749)
Total Income in Surplus/Deficit on the Provision of Services	0	(897)	0	(749)	(1,646)
Total (Gain)/Loss in Surplus/Deficit on Provision of Services	14,221	(897)	0	3,614	16,938
(Gain)/loss on Revaluation			64		64
(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure			64		64
Net (gain)/loss for the year	14,221	(897)	64	3,614	17,002

	Financial Liabilities:	Financial Assets:	Financial Assets:	Financial Assets:	2019/20
	Amortised cost	Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Realised (Gains)/Losses					
Unrealised (Gains)/Losses				542	542
Net (Gains)/Losses on Financial Instruments in Surplus/Deficit on Provision of Services	0	0	0	542	542
Interest expense	15,585				15,585
Fee expense	29			93	122
Total expense in Surplus/Deficit on the Provision of Services	15,614	0	0	93	15,707
Interest income		(2,107)			(2,107)
Dividend income/distributions				(748)	(748)
Total Income in Surplus/Deficit on the Provision of Services	0	(2,107)	0	(748)	(2,855)
Total (Gain)/Loss in Surplus/Deficit on Provision of Services	15,614	(2,107)	0	(113)	13,394
(Gain)/loss on Revaluation					
(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure				0	0
Net (gain)/loss for the year	15,614	(2,107)	0	(113)	13,394

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and seeks to minimise potential adverse risks on the resources available to fund services. The Council has put in place formal policies and procedures for the effective management and control of its treasury management activities. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy and the annual investment strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risks and the investment of surplus cash.

The procedures in place comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management and statutory investment guidance issued under the Local Government Act 2003 and associated secondary legislation. The Council in complying with this framework, acknowledges that effective management and control of risk are the prime objectives of its treasury management activities and responsibility for these lie clearly with the Council. The key policy documents are available on the Council's website.

The main risks covered are:

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

Credit Risk

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

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

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

Credit risk - treasury investments

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating:

2018/19 Fair value through profit and loss	2018/19 Assets at amortised cost	2018/19 Cash and cash equivalents	Fitch Rating	2019/20 Fair value through profit and loss	2019/20 Assets at amortised cost	2019/20 Cash and cash equivalents
£'000	£'000	£'000		£'000	£'000	£'000
15,311			AAA			
			AA+			
			AA			
			AA-	14,789		
		24,371	A+			22,512
		1,257	A			1,007
			A-			
			BBB+			
			BB-			
	35,377	8,683	Not applicable		55,911	10,876
15,311	35,377	34,311		14,789	55,911	34,395

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. The estimated loss is negligible as the investments mature within 12 months, therefore no loss allowance has been provided.

Credit risk - trade debtors

For the sundry debtor element of the trade debtor balance the Council applies a simplified approach permitted under the Code and recognises a loss allowance equal to lifetime expected losses. The expected credit losses on these assets are estimated using a provision matrix based on historical credit loss experience adjusted for factors specified to individual debtors, general economic conditions and assessment of both the current and forecast direction of conditions at the reporting date. A loss allowance for expected losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

The remaining balance of trade debtors comprises year-end accruals for which no loss allowance has been provided.

In measuring the expected credit losses, significant trade receivable balances are assessed individually for impairment where specific information regarding recoverability of the debt is available. Trade receivables not assessed individually have been assessed collectively based on shared risk characteristics and days past due.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

On the above basis, the expected loss allowance for trade receivables at the year-end is as follows:

At March 2019	Total	Not past due (0-30 days)	2-3 months	4-5 months	over 5 months
	£'000	£'000	£'000	£'000	£'000
Debtors individually assessed	6,140		1,140		5,000
Expected credit loss (individually assessed)	0		0		0
Debtors collectively assessed	6,529	2,058	688	419	3,364
Loss rate		1%	5%	9%	21%
Expected credit loss (collectively assessed)	(799)	(21)	(34)	(38)	(706)
Total Lifetime Expected Credit Losses	(799)	(21)	(34)	(38)	(706)

At March 2020	Total	Not past due (0-30 days)	2-3 months	4-5 months	over 5 months
	£'000	£'000	£'000	£'000	£'000
Debtors individually assessed	0		0		0
Expected credit loss (individually assessed)	0		0		0
Debtors collectively assessed	11,813	4,403	1,211	471	5,728
Loss rate		1%	5%	9%	21%
Expected credit loss (collectively assessed)	(1,350)	(44)	(61)	(42)	(1,203)
Total Lifetime Expected Credit Losses	(1,350)	(44)	(61)	(42)	(1,203)

The movement on the trade receivables loss allowance is shown below:

2018/19 £'000		2019/20 £'000
(443)	Balance at 1 April	(799)
(437)	Loss allowance recognised in the year	(639)
81	Receivables written off in the year	88
	Loss allowance unused and reversed in the year	
(799)		(1,350)

Credit risk - long-term debtors

For long-term debtors, recognition of 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk in these items since initial recognition.

As at 31 March 2019, the gross carrying amount of long-term debtors measured at amortised cost was £32.998m (£22.950m at 31 March 2019). Of the balance at 31 March 2020, £32.524m are intra-group loans to wholly owned subsidiaries of the Council. The Council is of the view that the assets of the companies would be sufficient to cover the liabilities without impairment of the loans. Therefore, no credit loss allowance has been recognised in respect of long-term debtors.

Liquidity risk

Liquidity risk is the risk that the Council will have insufficient funds in its bank account to make the payments necessary to meet its financial obligations.

The Council has a comprehensive cash flow management system which seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets, the Public Works Loans Board and its treasury investment portfolio which is considered to be liquid. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The contractual maturity of the Council's financial liabilities (including interest payments where applicable) is as follows:

Carrying Value 2018/19 £ '000	Liability including interest 2018/19 £'000		Carrying Value 2019/20 £ '000	Liability including interest 2019/20 £ '000
89,647	104,099	Less than one year	37,697	51,657
9,204	21,536	1 - 2 years	16,084	33,054
8,963	54,285	2 - 5 years	11,666	52,395
27,746	95,195	5 - 10 years	26,252	94,383
92,314	252,920	10 - 25 years	115,619	282,722
216,979	283,717	25 - 40 years	182,019	253,986
20,000	20,838	40+ years	75,000	83,450
464,852	832,590		464,337	851,647

Market Risks

Interest rate risk

The Council is exposed to interest movements on its borrowings and investments. Movements on interest rates have a complex effect on the Council depending on how variable and fixed interest rates move across differing financial instruments periods. For instance, a rise in variable and fixed interest rates would have the following effects:

Borrowings at variable rates	The interest expense charged to the Comprehensive Income and Expenditure Statement will rise
Borrowings at fixed rates	The fair value of the borrowing will fall (no impact on revenue balances)
Investments at variable rates	The interest income credited to the Comprehensive Income and Expenditure Statement will rise
Investments at fixed rates	The fair value of the assets will fall (no impact on revenue balances)

Investments measured at amortised cost and loans borrowed are not carried at fair value on the Balance Sheet, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

The Council has limited interest rate risk from its short-term borrowing which needs to be regularly refinanced as part of the strategy to benefit from low short-term interest rates. This risk is mitigated by the ability of the Council to switch from short-term to long-term borrowing should the UK enter a period of rising interest rates.

As part of a balanced portfolio, the interest rate risk is further mitigated by the following:

- (i) maturing short-term investments can be used to pay down debt, should it become cost-effective to do; and
- (ii) having a substantial part of the loan debt portfolio with maturity dates spread evenly over the next 30 years at fixed interest rates reducing the re-financing risk.

The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rate borrowing would be postponed.

At 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£ '000
Increase in interest payable on variable rate borrowings	48
Increase in interest receivable on variable rate investments	(235)
Impact on surplus/deficit on the provision of services	(187)
Decrease in fair value of fixed rate investments	0
Impact on Other comprehensive income and expenditure	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)	(77,026)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The above sensitivity analysis is based on the loans and investments as at 31 March 2020.

Note 18 - Fair Value

*at the time of publishing these accounts, further work is ongoing in this area.

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

Description of asset or liability	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities
Borrowing from Public Works Loans Board (PWLB) and Lender Option Borrower Option loans (LOBOs) and Service Concessions	Level 2	The fair values have been estimated by discounting the remaining cashflows or the borrowing using the PWLB certainty rate for new loans	Not required	Not required
Property Fund	Level 2	Closing bid price where bid and offer prices are published	Adjusted for net capital current assets	Estimated acquisition and disposal costs - 5%
Long-term loans	Level 3	Capital value of unpaid loan	Council accounting records	None
Investment property	Level 3	Investment method of valuation	Assumed void periods, estimated rental value. Existing lease terms and rentals	Estimated acquisition and disposal costs - 5%
Non-current assets held for sale and surplus assets	Level 3	Mostly development land which has been valued by staff in the Council's Property Services division who are RICS qualified valuers on a five year rolling programme. Some based on offers received, with adjustments for conditions.	Development land values, site constraints, variables in market evidence, build & site clearance costs, planning permissions/requirements, costs of sale	Planning permissions, estimated disposal costs of 5%

The Council has investments in wholly owned subsidiary companies with a total carrying value of £16.5m (£11.9m 18/19). These interests have been excluded from the fair value disclosures because their fair value cannot be measured reliably as there is no market for the companies.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Council's advisers have determined that the valuation methods described above are likely to be accurate to within the following ranges and have set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

2018/19	Assessed valuation range		Value at 31 March 2019	Value on increase	Value on decrease
	+	-	£000	£000	£000
Investment property	5%	5%	43,753	45,941	41,565
Surplus assets	0%	5%	28,763	28,763	27,325
Total			72,516	74,704	68,890

2019/20	Assessed valuation range		Value at 31 March 2020	Value on increase	Value on decrease
	+	-	£000	£000	£000
Investment property	5%	5%	79,060	83,013	75,107
Surplus assets	0%	5%	29,932	29,932	28,436
Total			108,992	112,945	103,543

Fair value hierarchy

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

- Level 1** Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.
- Level 2** Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.
- Level 3** Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Transfer between levels 1 and 2

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

Reconciliation of fair values within Level 3

31 March 2018 £000		Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2019 £000
43,444	Investment property			31		278		43,753
28,292	Surplus assets	1,454	(140)	563		139	(1,545)	28,763
71,736	Total	1,454	(140)	594	-	417	(1,545)	72,516

31 March 2019 £000		Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2020 £000
43,753	Investment property			39,940		(4,633)		79,060
28,763	Surplus assets	223	(867)	252		2,611	(1,050)	29,932
72,516	Total	223	(867)	40,192		(2,022)	(1,050)	108,992

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

Fair Value Hierarchy				2018/19	Fair Value Hierarchy				2019/20
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
£000	£000	£000	£000		£000	£000	£000	£000	
Assets									
-	11,911	-	11,911	Long-term investments		6,019		6,019	
-	-	22,950	22,950	Long-term loans	-	-	32,998	32,998	
-	15,311	-	15,311	Financial assets measured at fair value through Profit & Loss		14,789	-	14,789	
-	-	72,516	72,516	Non-financial assets at fair value	-	-	108,993	108,993	
-	27,222	95,466	122,688	Total assets	-	20,808	141,991	162,799	
Liabilities									
Borrowing:									
-	(403,986)	-	(403,986)	Public Works Loans Board (PWLb)	-	(417,229)	-	(417,229)	
-	(44,953)	-	(44,953)	LOBOs	-	(45,512)	-	(45,512)	
-	(7,707)	-	(7,707)	Other lenders	-	(4,852)	-	(4,852)	
-	(43,085)	-	(43,085)	Temporary Borrowing	-	(10,003)	-	(10,003)	
-	(45,604)	-	(45,604)	Service concessions	-	(26,243)	-	(26,243)	
-	(545,335)	-	(545,335)	Total liabilities	-	(503,839)	-	(503,839)	

Note 19 - Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019-20 and future years at a cost of £18.8m. The major commitments are as follows:

31 March 2019 £000		31 March 2020 £000
1,201	Housing Revenue Account-New Build - Conwy Close	-
-	Housing Revenue Account-New Build- Wensley Road	350
3,500	Green Park Station	12,036
759	South Reading MRT Phase 1b and Phase 4a	-
-	South Reading MRT Phaser 4b	3,596
-	298 Town Hall	-
46	Reading Abbey Revealed	-
19	Community Hubs	-
-	Mapledurham Playing Fields and Pavilion	1,062
-	Green Park Primary School	1,004
-	New ESFA funded schools – St Michael's	242
175	Transport Consultancy Support	499
5,998	Total	18,789

Note 20 - Debtors

*at the time of publishing these accounts, further work is ongoing in this area.

Long term debtors

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

	1 April 2019 £ '000	New advances recognised £ '000	Advances repaid £ '000	Transfer (to)/from short term or other £ '000	31 March 2020 £ '000
Amounts due from subsidiary undertakings	22,396	12,348	(91)	(2,129)	32,524
Other mortgages and Loans	4	-	(2)	-	2
Other long term debtors	551	-	-	(79)	472
	22,951	12,348	(93)	(2,208)	32,998

Short Term Debtors

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

31 March 2019 £000		31 March 2020 £000
	Central Government Bodies	
7,103	- HMRC	3,294
3,661	- Other	2,332
8,214	Other Local Authorities	1,356
308	NHS Bodies	498
	Other Entities and Individuals	
3,221	- Business Rates payers	2,268
2,554	- Council Tax payers	3,642
2,942	- Housing Benefits Overpayments	3,599
413	- Housing Rents	1,774
33,521	- Other Sundry Debtors	38,038
61,937	Total Debtors	56,801

Impairment Allowances included within the above figures for doubtful debts

31 March 2019 £000		31 March 2020 £000
	Other Entities and Individuals	
(3,135)	- Business Rates payers	(3,359)
(10,964)	- Council Tax payers	(11,741)
(4,501)	- Housing Benefits Overpayments	(4,621)
(732)	- Housing Rents	(1,248)
(5,961)	- Other Sundry Debtors	(5,966)
(25,293)	Total Debtors	(26,935)

Note 21 - Cash and Cash Equivalents

*at the time of publishing these accounts, further work is ongoing in this area.

31 March 2019 £000		31 March 2020 £000
34,311	Cash and Bank balances	34,395
34,311	Total Cash and Cash Equivalents	34,395

Note 22 - Creditors

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

31 March 2019		31 March 2020
£000		£000
	Central Government Bodies	
(2,133)	- HMRC – PAYE and NI	(2,111)
(5,580)	- Other	(4,164)
(3,416)	Other Local Authorities	(7,426)
(506)	NHS Bodies	(80)
	Other Entities and Individuals	
(6,994)	- Group subsidiaries	(948)
(4,285)	- Business Rates payers	(3,527)
(2,648)	- Council Tax payers	(2,624)
(1,003)	- Housing rent	(609)
(2,076)	- Accumulated Absences	(1,639)
(22,086)	- Other creditors	(36,763)
(5,326)	Receipts in Advance	(6,870)
(56,053)	Total Creditors	(66,761)

Note 23 - Provisions

	Balance at 1 April 2019	Additional Provisions Made in 2019/20	Amounts Used in 2019/20	Unused Amounts Returned in 2019/20	Balance at 31 March 2020
	£ '000	£ '000	£ '000	£ '000	£ '000
Provision for NNDR Appeals	(6,347)	(286)	-	1,602	(5,031)
Insurance	(860)	(3,791)	3,698	-	(953)
Ordinary Residence Disputes	(1,095)	(453)	691	-	(857)
Unequal Pay Back Pay	(881)	(794)	349	-	(1,326)
Other	(688)	(3,391)	3,058	-	(1,021)
Total Short Term Provisions	(9,871)	(8,715)	7,796	1,602	(9,188)
Rent deposit guarantee	(500)	(296)	-	-	(796)
Total Long Term Provisions	(500)	(296)	-	-	(796)
Total Provisions	(10,371)	(9,011)	7,796	1,602	(9,984)

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

Insurance Provision - a provision has been made to meet known and anticipated liabilities on claims under the Council's insurance arrangements.

Equal Pay Backpay Provision – The Council has established an Equal Pay Provision since under the Equal Pay Act 1970 (as amended) employees are entitled to equal pay for work of equal value. Payments are envisaged in future years, but the extent and final timing of these cannot be fully quantified accurately at the date of these accounts, but depending upon the outcome of legal proceedings could be 10-20% higher than that provided. In respect of the above provision, the Council has taken advantage of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, that provide discretion not to charge the full provision to the accounts, so this sum is not fully backed by resources. Some of the capital receipts shown in the Capital Receipts Reserve will be used instead.

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

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

Note 24 - Usable Reserves

The Usable Reserves of the Council are as follows:

31 March 2019		Note	31 March 2020
£000			£000
(7,500)	General Fund		(7,500)
(33,547)	HRA		(35,837)
(53,596)	Earmarked Reserves	9	(62,551)
(1,988)	Major Repairs Reserve		(2,601)
(50,077)	Capital Grants Unapplied		(58,665)
(8,632)	Capital Receipts Reserve		(11,349)
(155,340)	Total		(178,503)

Capital Receipts Reserve

31 March 2019		31 March 2020
£000		£000
(23,472)	Balance 1 April	(8,632)
(5,094)	Capital Receipts in year	(14,554)
(250)	Deferred Receipts realised	(153)
1,421	Capital Receipts Pooled	905
8,820	Equal Pay claims	199
11,261	Capital Receipts used for financing capital expenditure	10,886
(1,318)	Other movements	-
(8,632)	Balance 31 March	(11,349)

Major Repairs Reserve (HRA)

31 March 2019		31 March 2020
£000		£000
(1,328)	Balance 1 April	(1,988)
(8,063)	Depreciation and Amortisation	(10,654)
7,403	Application to finance capital expenditure	10,041
(1,988)	Balance 31 March	(2,601)

Capital Grants Unapplied

31 March 2019		31 March 2020
£000		£000
(37,659)	Restated Balance 1 April	(50,077)
(32,099)	Capital grants recognised in year	(33,215)
19,681	Capital grants and contributions applied	24,627
(50,077)	Balance 31 March	(58,665)

Note 25 - Unusable Reserves

The Unusable Reserves of the Council are as follows:

31 March 2019 £000		31 March 2020 £000
(190,311)	Revaluation Reserve	(169,020)
(382,756)	Capital Adjustment Account	(374,258)
454,348	Pension Reserve	395,684
(5,899)	Deferred Capital Receipts Reserve	(4,307)
(9,222)	Collection Fund Adjustment Account	(12,029)
330	Unequal Pay Back Pay Account	-
2,076	Accumulated Absences Account	1,639
(145)	Pooled Fund Adjustment Account	397
64	Financial Instrument Revaluation Reserve	64
(131,515)	Total	(161,830)

Revaluation Reserve

31 March 2019 £000		31 March 2020 £000
(191,513)	Balance 1 April	(190,311)
(16,050)	Upward revaluation of assets	(9,158)
12,622	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	26,075
(3,428)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	16,917
3,133	Difference between fair value depreciation and historical cost depreciation	3,036
1,496	Accumulated gains on assets sold or scrapped	248
-	Other movements	1,090
4,630	Amount written off to the Capital Adjustment Account	4,374
(190,311)	Balance 31 March	(169,020)

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

The balance is reduced when assets with accumulated gains are:

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

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

Capital Adjustment Account

31 March 2019 £000		31 March 2020 £000
(378,979)	Balance 1 April	(382,755)
35,734	Charges for depreciation and impairment of non-current assets	42,896
740	Amortisation of intangible assets	548
7,299	Revenue expenditure funded from capital under statute	9,577
3,011	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,013
46,784	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	56,034
(4,629)	Adjusting Amounts written out of the Revaluation Reserve	(4,375)
42,156	Net written out amount of the cost of non-current assets consumed in the year	51,659
(11,261)	Use of Capital Receipts Reserve to finance new capital expenditure	(11,085)
(7,403)	Use of Major Repairs Reserve to finance new capital expenditure	(10,041)
(19,681)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(24,628)
(8,606)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(9,029)
(22)	Capital expenditure charged against the General Fund and HRA balances	(139)
(46,973)	Capital financing applied in year:	(54,922)
(277)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	4,633
1,319	Other movements	7,127
(382,755)	Balance 31 March	(374,258)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Pension Reserve

31 March 2019 £000		31 March 2020 £000
446,498	Balance 1 April	454,348
(12,151)	Remeasurements of the net defined benefit (liability)/asset	(80,602)
36,405	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	37,615
(16,404)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,677)
454,348	Balance 31 March	395,684

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Deferred Capital Receipts Reserve

31 March 2019 £000		31 March 2020 £000
(6,148)	Balance 1 April	(5,899)
-	Transfer to the Capital Receipts Reserve upon receipt of cash	1,255
249	Other movements	337
(5,899)	Balance 31 March	(4,307)

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

Collection Fund Adjustment Account

31 March 2019 £000		31 March 2020 £000
(3,020)	Balance 1 April	(9,222)
(6,202)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(2,807)
(9,222)	Balance 31 March	(12,029)

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

Unequal Pay Back Pay Account

31 March 2019 £000		31 March 2020 £000
9,151	Balance 1 April	330
-	Increase in provision for back pay in relation to Equal Pay cases	(131)
(8,821)	Cash settlements paid in the year	(199)
(8,821)	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(330)
330	Balance 31 March	-

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

Accumulated Absences Account

31 March 2019		31 March 2020
£000		£000
1,128	Balance 1 April	2,076
(1,128)	Settlement or cancellation of accrual made at the end of the preceding year	(2,076)
2,076	Amounts accrued at the end of the current year	1,639
948	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(437)
2,076	Balance 31 March	1,639

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

Pooled Fund Adjustment Account

31 March 2019		31 March 2020
£000		£000
-	Balance 1 April	(145)
87	Reclassification of financial instruments	-
(232)	Revaluation gains on pooled fund adjustment account	542
(145)	Balance 31 March	397

Financial Instruments Revaluation Reserve

31 March 2019		31 March 2020
£000		£000
-	Balance 1 April	64
64	Downward revaluation of investments	-
64	Balance 31 March	64

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

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

Note 26 - Cash Flow from Operating Activities

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

The cash flows for operating activities include the following items:

31 March 2019		31 March 2020
£000		£000
(1,595)	Interest received	(2,869)
14,255	Interest paid	15,117
12,660	Total	12,248

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

31 March 2019		31 March 2020
£000		£000
(34,769)	Depreciation	(34,639)
4,649	Impairment and downward valuations	(9,382)
(740)	Amortisation	(548)
-	(Increase)/decrease in impairment for bad debts	-
(2,429)	(Increase)/decrease in creditors	(10,600)
12,196	Increase/(decrease) in debtors	(10,016)
2	Increase/(decrease) in inventories	3
(20,001)	Movement in pension liability	(21,939)
(3,011)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,013)
5,115	Other non-cash movements charged to the surplus or deficit on provision of services	(4,463)
(38,988)	Total	(94,597)

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

31 March 2019		31 March 2020
£000		£000
5,093	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,987
19,631	Any other items for which the cash effects are investing or financing cash flows	24,628
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(7,000)
24,724	Total	23,615

Note 27 - Cash Flow from Investing Activities

31 March 2019		31 March 2020
£000		£000
38,252	Purchase of property, plant and equipment, investment property and intangible assets	84,218
9,380	Purchase of short-term and long-term investments	-
14,271	Other payments for investing activities	12,348
(952)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12,275)
-	Proceeds from short-term and long-term investments	7,000
(27,489)	Other receipts from investing activities	(26,850)
33,462	Net cash flows from investing activities	64,441

Note 28 - Cash Flow from Financing Activities

31 March 2019		31 March 2020
£000		£000
(191,050)	Cash receipts of short-term and long-term borrowing	(100,037)
927	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	995
173,907	Repayments of short-term and long-term borrowing	92,443
10,916	Council Tax and NNDR share	2,848
(5,300)	Net cash flows from financing activities	(3,751)

Note 29 - Trading Operations

The Council operates a trading accounts for the service below:

Housing Building Maintenance

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

2018/19	Housing Building Maintenance	2019/20
£000		£000
8,413	Income	9,237
(8,966)	Expenditure	(9,274)
(553)	Net Surplus / Deficit for Year	(37)

Building Control - Trading Account

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

2018/19	Building Control – Trading Account	2019/20
£000		£000
351	Income	426
(629)	Expenditure	(648)
(278)	Net Surplus / Deficit for Year	(222)

Note 30 - Pooled Budgets

Reading is party to two partnership schemes established under Section 75 of the National Health Service Act 2006. These enable the establishment of joint working arrangements between NHS bodies and local authorities to enable them to work collaboratively to provide services.

1) Berkshire Community Equipment Stores

The Community Equipment Stores Agreement uses NRS Healthcare as an agent to provide the services. The six Berkshire Unitary Authorities and the Berkshire Clinical Commissioning Groups are members of the agreement with West Berkshire Council as the lead partner.

	2018/19 £000	2019/20 £000
Funding Within the Pooled Budget		
Reading Borough Council - Adult Services	484	618
Reading Borough Council - Children's Services	125	109
Other Berkshire Councils	3,072	3,220
Berkshire Clinical Commissioning Groups	5,381	5,966
	9,062	9,913
Expenditure Within the Pooled Budget		
Management Fund Costs	115	117
Nottingham Rehab Supplies Equipment	8,947	9,796
	9,062	9,913
Net (Surplus)/Deficit within the scheme 2019/20	-	-

2) Better Care Fund

Reading Borough Council and Berkshire West Clinical Commissioning Group are partners in the provision of services with the primary purpose to ensure vulnerable clients are placed at the centre of their own care and support packages and to provide fully integrated health and social care. The services included within the BCF include support to carers, reablement, intermediate care and long-term support packages.

	2018/19 £000	2019/20 £000
Funding Provided to the Pooled Budget		
Reading Borough Council	3,218	3,974
Berkshire West CCG	9,644	10,280
	12,862	14,254
Expenditure within the Pooled Budget		
Reading Borough Council	8,245	9,284
Berkshire West CCG	4,319	4,691
	12,564	13,975
(Surplus) for the pooled budget in 2019/20	(298)	(279)

Note 31 - Members' Allowances

Payments to members are made under the provisions of the Local Authorities (Members Allowances) (England) Regulations 2003.

A breakdown of the amounts paid per member is available on the Council's website - <http://www.reading.gov.uk/councillors>

Co-optees' Allowances are payable to non-Councillor members sitting on the Standards Committee or any other sub-committee formed by the Standards Committee.

The Council adopted a revised scheme, effective from 1 October 2019, increasing the Basic Allowance and Special Responsibility Allowance by 2.75% in line with the LGPS.

The total amounts paid to Members and Co-opted Officers during 2019/20 was £493,485 (2018/19: £450,792), split over the following categories:

31 March 2019 £000		31 March 2020 £000
376	Salaries	378
75	Allowances	115
451	Total Members' Allowances	493

Note 32 - Officers' Remuneration

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

Senior Officer Remuneration

	Salary, Fees and Allowances	Expenses	Pension Contribution	Total
2018/19	£		£	£
Chief Executive*1 - Peter Sloman	158,222	165	34,847	193,234
Director of Environment and Neighbourhood Services*3	78,767	-	-	78,767
Director of Adult Care & Health Services	132,636	344	29,047	162,027
Strategic Communications Manager*7	13,103	-	2,869	15,972
Head of Legal and Democratic Services*6	96,827	214	21,205	118,246
Director of Children, Education & Early Help Services*4 *5	108,455	1,342	22,469	132,266
Director of Resources*2	131,331	18	28,984	160,333
Total	719,341	2,083	139,421	860,845

1. Salary includes Christmas Annual Leave deduction of £898
2. Salary includes Christmas Annual Leave deduction of £1,015
3. Salary includes Christmas Annual Leave deduction of £571
4. Officer (Acting Director) stood down from role 3rd July. The Director of Resources joined the Council in March 2018.
5. Officer started 4th July 2018 and departed 5th February 2019; salary includes £3,807 of A/L hours
6. The Head of Legal & Democratic Services is also the Returning Officer and his salary includes £4,854 for this role.
7. The Strategic Communications Manager started 2nd January 2019.

2019/20	Salary, Fees and Allowances	Expenses	Pension Contribution	Total
	£	£	£	£
Chief Executive - Peter Sloman	162,302	-	14,810	177,112
Director of Environment and Neighbourhood Services*2*3	118,887	95	26,044	145,026
Director of Adult Care & Health Services	135,029	608	29,571	165,208
Strategic Communications Manager*7	54,040	267	11,835	66,142
Head of Legal and Democratic Services*5*6	107,498	516	21,975	129,989
Director of Children, Education & Early Help Services*4	8,318	-	1,822	10,140
Director of Resources*1	137,184	260	30,043	167,487
Total	723,258	1,746	136,100	861,104

1. Officer acting up period 29/07/19 - 30/08/19
2. Officer acting up period 01/04/19 - 29/04/19
3. Officer commenced role 29th April 2019; salary includes Christmas Annual Leave deduction of £932
4. Officer commenced role 1st December 2019 0.2 FTE
5. The Assistant Director of Legal & Democratic Services is also the Returning Officer and his salary includes £17,313 for this role; officer changed roles 31st January 2020. Salary includes Christmas Annual Leave deduction of £60
6. Officer commenced role 10th February 2020.
7. 0.9 FTE

Officer Remuneration

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

Number of Employees				2019/20		
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
Schools	Non-schools	Total		Schools	Non-schools	Total
18	33	51	£50,001 to £55,000	14	33	47
6	25	31	£55,001 to £60,000	8	30	38
7	9	16	£60,001 to £65,000	3	7	10
7	4	11	£65,001 to £70,000	8	8	16
6	6	12	£70,001 to £75,000	5	5	10
3	5	8	£75,001 to £80,000	7	2	9
-	5	5	£80,001 to £85,000	-	3	3
-	4	4	£85,001 to £90,000	1	1	2
-	1	1	£90,001 to £95,000	-	3	3
-	1	1	£95,001 to £100,000	-	1	1
2	-	2	£100,001 to £105,000	2	-	2
-	-	-	£105,001 to £110,000	-	-	-
-	-	-	£110,001 to £115,000	-	2	2
-	-	-	£115,001 to £120,000	-	-	-
-	1	1	£120,001 to £125,000	-	-	-
-	1	1	£125,001 to £130,000	-	-	-
49	95	144	Total	48	95	143

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	-	-	45	17	45	17	344,901	92,901
£20,001 - £40,000	-	-	9	8	9	8	260,243	212,945
£40,001 - £60,000	-	-	8	1	8	1	390,873	41,230
£60,001 - £80,000	-	-	1	1	1	1	73,645	67,843
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	1	-	1	-	100,594	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	1	-	1	-	226,476
Total	-	-	64	28	64	28	1,170,256	641,395

Add: Amounts provided for in CIES not included in bandings

Total cost included in CIES		1,170,256	641,395
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As a result of various changes being implemented by the Council, a number of individuals have received Exit Packages, including redundancy compensation. The preceding table (and prior year comparators) shows those amounts paid during the year (including the costs borne by the Council for the additional contribution to the Pension Funds where this was part of the Exit Package).

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

Note 33 - External Audit Costs

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

2018/19		2019/20
£000		£000
84	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	84
52	Fees payable to external auditors for the certification of grant claims and returns	52
390	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2016/17	100
-	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2017/18	400
-	PSAA refund of External Audit fees	(8)
526	Total	628

Note 34 - Dedicated Schools Grant

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

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

DSG Receivable for 2019/20	Central	Individual Schools	Total
	Expenditure	Budget	
	£000	£000	£000
Final DSG for year before Academies recoupment			123,744
Academy figure recouped for year			(47,461)
Total DSG after academy recoupment			76,283
Plus: Brought forward from previous year			(1,605)
Less: Carry forward to following year (agreed in advance)			-
Agreed initial budgeted distribution in year	16,825	57,853	74,678
In year adjustments		68	68
Final budget distribution for year	16,825	57,921	74,746
Less: Actual central expenditure	(18,993)		(18,993)
Less: Actual ISB deployed to schools		(57,521)	(57,521)
Plus: Local Authority contribution for year	-	-	-
Carry forward to 2020/21	(2,168)	400	(1,768)

Note 35 - Grant Income

Grants and contributions, including donated assets, shall not be recognised until there is reasonable assurance that:

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

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised immediately (when the two criteria above are met) in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) relating to initial recognition that the Council has not satisfied. Grants and contributions that satisfy the recognition criteria above but which have a condition attached that remains to be satisfied are recognised initially in the relevant Grants Receipts in Advance Account.

General grants and contributions (comprising Revenue Support Grant, NDR redistribution and unringfenced government grants) are disclosed as one or more items on the face of the Comprehensive Income and Expenditure Statement.

Revenue grants and contributions that are not general grants described above are credited to service revenue accounts, support services, trading accounts and the Housing Revenue Account.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20 as follows:

31 March 2019 £000		31 March 2020 £000
-	COVID 19 Grant	(3,839)
(4,903)	NNDR (National Non Domestic Rates) S31 Grant (Business Rates Relief)	(5,292)
(3,464)	New Homes Bonus	(3,739)
(1,057)	Other non-specific revenue grants	(232)
(21,515)	Capital Grants*	(21,075)
(10,584)	Capital Contributions	(12,141)
(41,523)	Total	(46,318)

*See Capital Grants breakdown below

*Capital Grants

31 March 2019 £000		31 March 2020 £000
(8,583)	LEP - Growth Deal Board Transport Projects	(4,575)
-	- DFT – Live Labs Funding	(4,750)
-	- DFES Priority Schools Building Programme	(2,599)
(2,841)	Schools Standards Fund (DFE)	(2,993)
(2,765)	LTP Integrated Transport Block Grant	(2,888)
(1,500)	Air Quality Grant - Bus Retrofit (DEFRA)	-
(1,334)	DfT grant funding - Street lighting joint scheme	(420)
(1,099)	Disabled Facilities Grant	(1,055)
(828)	Highways Maintenance Incentive Elements (DfT)	-
(517)	Housing Infrastructure Fund	-
(450)	EFSA construction contribution for the Heights Primary School	-
(391)	Heritage Lottery Fund - Abbey Revealed	(36)
(351)	BfC Set Up Capital Grant	-
(291)	Schools DFC	(379)
(255)	LEP - Smart Cities Funding	(970)
(310)	Other capital grants	(410)
(21,515)	Total Capital Grants and Contributions	(21,075)

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2019		31 March 2020
£000		£000
-	MHCLG – S31 NNDR 20-21 Grant	(3,993)
(500)	Elevate Berkshire	-
(759)	Other Grants	-
(1,259)	Total	(3,993)

Credited to Services

31 March 2019		31 March 2020
£000		£000
(77,470)	Dedicated Schools Grant	(76,351)
(60,736)	Housing Benefit & Council Tax Benefit subsidy	(52,961)
(9,758)	Public Health Grant	(9,500)
(3,997)	North Whitley PFI - Housing	(3,997)
(3,851)	Pupil Premium	(3,658)
(1,935)	Improved Better Care Fund	(2,044)
(1,433)	Childrens' Company Set up grant	-
(1,406)	Universal Free School Meals	(1,230)
(566)	PE and Sports Premium	(539)
(1,280)	ESFA funded adult education grant	(1,394)
(570)	Winter Pressures	(570)
(1,057)	PFI Central Berkshire Waste Disposal	(1,057)
(657)	6th Form Funding	(471)
(777)	Flexible Homelessness Support	(1,301)
(357)	Troubled Families	(718)
-	Teacher's Pensions Grant	(1,091)
-	Social Care Support Grant	(723)
-	Teacher's Pay Grant	(561)
(5,082)	Other Grants	(5,236)
(170,932)	Total	(163,402)

Note 36 - Related Parties

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

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

- Elected Members;
- Chief Executive;
- Members of the Corporate Management Team (CMT). Additional details of these Officers are provided in Note 32)

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

One Member is the Chief Executive of Berkshire Women's Aid (BWA). This company aims to provide confidential support, information, outreach services and refuge accommodation for victims and children affected by domestic violence. A significant proportion of BWA's total income is received from the Council (total Council expenditure and grant funding in 2019/20 being £359k (2018/19: £373k). The majority of this is for the provision of contracted services and BWA is also in receipt of a sundry grant sum from the Council. One Member has declared that their partner is employed by BWA.

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

Four Members sit on the Board of Readibus. This Charity has been established to provide a Scheme for the transportation of elderly and temporarily or permanently disabled people within Reading and the surrounding district. The Council is the major grant funding body for Readibus. In total during 2019/20, the Council incurred costs of £738k (2018/19: £1.1m) with Readibus.

Transactions with Central Government

Central Government has an effective general control over the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant portion of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the transactions with other Government departments include items reported within Note 35 Capital and Revenue Grants, Note 37 Capital Expenditure, Note 20 Debtors and Note 22 Creditors.

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

The Council holds 49% of the shareholding of Reading-Hampshire Property Partnership (RHPP); this is a Joint Venture between the Council and Hampshire County Council and provides services to support work on property, notably the Primary School Expansion Programme. The Council has been assessed as being able to exert significant influence over the organisation but as transactions with RHPP total just under £1.2m (2018/19: less than £1.3m) and the entity has no assets, RHPP has been excluded from the Group Accounts on materiality grounds.

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

Two Members are trustees of the Reading Community Welfare Rights Unit (RCWRU), a registered charity and company. The RCWRU received £99k (2018/19: £105k) from Reading Borough Council representing a material proportion of RCWRU's grant income.

One Member (the current lead councillor) and the Chief Executive are on the Board of Reading UK CIC, a community interest company that manages the Town Centre Business Improvement District and various other Economic and Business Development activities. All the staff working for the company are seconded from the Council. Although the company's constitution provides that Council connected director's votes are diluted to a weight of less than 20% should they numerically exceed that (which did not happen during 2019/20), the Council does exhibit some influence as the majority of the turnover is derived directly or indirectly from the Council.

Note 37 - Capital Expenditure and Capital Financing

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

31 March 2019		31 March 2020
£000		£000
524,467	Opening Capital Financing Requirement restated	547,529
	Capital Investment:	
38,028	Property Plant and Equipment	42,685
30	Investment Property	39,940
662	Intangible Assets	1,695
363	Heritage Assets	72
7,300	Revenue Expenditure Funded from Capital Under Statute	9,378
14,271	Long term debtor	12,349
9,380	Long term Investment	-
70,034	Total Capital Spending	106,119
	Sources of Finance:	
(11,261)	Capital receipts	(10,886)
(19,681)	Government Grants and other contributions	(24,628)
(7,403)	Major repairs reserve	(10,041)
	Sums set aside from revenue:	
(22)	- Direct revenue contributions	(139)
(8,605)	- Minimum revenue provision	(9,029)
	Application of capital funding	
(46,972)	Total Sources of Finance	(54,723)
547,529	Closing Capital Financing Requirement	598,925

Explanation of movements in year

31 March 2019		31 March 2020
£000		£000
31,667	Increase in underlying need to borrow (unsupported by government financial assistance)	60,425
-	- Assets acquired under PFI contracts	-
(8,605)	Minimum revenue provision	(9,029)
	Application of funding to reduce CFR	
23,062	Increase/(decrease) in Capital Financing Requirement	51,396

Note 38 - Leases

Authority as Lessee - Finance Leases

At the 31 March 2020, the value of assets held under finance leases was judged to be immaterial.

Authority as Lessee - Operating Leases

At the 31 March 2020, the value of assets held under operating leases was judged to be immaterial.

Authority as Lessor - Finance Leases

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

31 March 2019 £000		31 March 2020 £000
	Finance lease debtor (net present value of minimum lease payments):	
1,253	- current	1,293
4,305	- non-current	3,011
386	Unearned finance income	234
5,944	Gross investment in the lease	4,538

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

Gross Investment in the Lease			Minimum Lease Payments	
31 March 2019 £000	31 March 2020 £000		31 March 2019 £000	31 March 2020 £000
1,406	1,406	Not later than one year	1,406	1,406
4,064	2,816	Later than one year and not later than five years	4,064	2,816
475	316	Later than five years	475	316
5,944	4,538	Total	5,944	4,538

Authority as Lessor - Operating Leases

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

31 March 2019			31 March 2020	
£000			£000	
3,422	Not later than one year		5,575	
11,839	Later than one year and not later than five years		17,860	
8,001	Later than five years		15,978	
23,262	Total		39,413	

The amount of contingent rent has been judged to be immaterial.

Note 39 - Service Concession Arrangements

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

a) North Whitley Housing PFI scheme

2019/20 was the sixteenth year of a 30-year PFI contract to manage and maintain 1,271 dwellings on the North Whitley estate to defined availability and quality standard (1,280 dwellings remained as at 31 March 2019). The contract does not provide for transfer of the assets to the contractor or any other third party at the end of the contract on 9 May 2034.

Property, plant and equipment

The Housing PFI assets used to provide services at North Whitley estate are recognised on the Council's Balance Sheet, the value of land & buildings is £96.8m at 31 March 2020 (£101.4m at 31 March 2019).

Payments

The Council makes an agreed payment to the contractor which is increased annually by the annual change in the retail prices index measure of inflation. Payments can be increased or decreased for performance and availability. Payments remaining to be made under the contract at 31 March 2020 are as follows:

		2018/19						2019/20	
Service cost	Reimbursement of capital expenditure	Interest	Total		Service cost	Reimbursement of capital expenditure	Interest	Total	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	
3,719	405	2,617	6,741	within 1 year	3,771	451	2,613	6,835	
15,404	2,427	10,092	27,923	within 2-5 years	15,620	2,747	9,947	28,314	
20,499	4,998	11,661	37,158	within 6-10 years	20,786	6,088	10,806	37,680	
21,974	11,735	6,122	39,831	within 11-15 years	18,082	10,181	4,516	32,779	
382	307	3	692	within 16-20 years	-	-	-	-	
61,978	19,872	30,495	112,345		58,259	19,467	27,882	105,608	

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

2018/19		2019/20	
£'000		£'000	
(20,252)	Opening balance	(19,872)	
380	Repayment of liability	405	
(19,872)		(19,467)	

b) Waste PFI scheme

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

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

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

Value of assets under the PFI contract

2018/19			2019/20			
Land & Buildings	Plant & Equipment	Total		Land & Buildings	Plant & Equipment	Total
£000s	£000s	£000s		£000s	£000s	£000s
10,841	2,197	13,038	Opening Balance	10,539	2,092	12,631
-	-	-	Revaluations	-	-	-
(304)	(105)	(409)	Depreciation	(304)	(105)	(409)
-	-	-	Impairment	-	-	-
2	-	2	Additions	-	-	-
10,539	2,092	12,631	Closing balance	10,235	1,987	12,222

Payments

The Council makes payments to the contractor which cover the charge for services provided, repayment of the liabilities and interest on those liabilities. Payments remaining to be made under the contract at 31 March 2020 are set out below:

Service cost	Reimbursement of capital expenditure	2018/19			2019/20			
		Interest	Total		Service cost	Reimbursement of capital expenditure	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
2,036	468	435	2,939	within 1 year	2,182	408	401	2,991
9,331	1,514	1,436	12,280	within 2-5 years	9,589	1,584	1,322	12,495
12,995	2,525	1,079	16,599	within 6-10 years	13,356	2,645	888	16,889
6,353	1,446	159	7,958	within 11-15 years	3,552	848	62	4,462
30,715	5,953	3,109	39,776		28,679	5,485	2,673	36,837

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

2018/19		2019/20
£000s		£000s
(115)	Within one year	(115)
(460)	2 to 5 years	(460)
(575)	6 to 10 years	(575)
(257)	11 to 15 years	(142)
(1,407)		(1,292)

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

2018/19		2019/20
£000s		£000s
(6,385)	Opening balance	(5,953)
432	Repayment	468
(5,953)	Closing balance	(5,485)

Note 40 - Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2019/20, the Council paid £4.601m to the Teachers Pensions Agency in respect of teachers' retirement benefits representing 20.5% of pensionable pay (in 2018/19 £3.618m was paid representing 16.2% of pensionable pay). There were no contributions payable at the year-end. The expected contributions to the Teachers' Pension Scheme for 2020/21 are £4.6m.

Note 41 - Defined Benefit Pension Scheme

i. Local Government Pension Schemes

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

The Council participates in two post-employment schemes:

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

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

Transactions relating to post-employment benefits

The Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. During the year the following

transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement.

i. Impact on Comprehensive Income & Expenditure Account

2018/19		2019/20	
Funded	Unfunded	Funded	Unfunded
£000	£000	£000	£000
Comprehensive Income and Expenditure Statement			
Cost of Services			
	Service cost comprising:		
25,500	- Current service cost	23,656	-
179	- Past service cost	5,485	-
-	- (Gain) / loss from curtailments	-	-
(675)	- (Gain) / loss from settlements and / or transfers	(2,482)	-
276	- Administration expenses	244	-
	Other Operating Expenditure:		
	Financing and Investment Income and Expenditure		
11,125	- Net interest expense	10,713	-
36,405	- Total charged to Surplus and Deficit on Provision of Services	37,616	-

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

£000	£000	£000	£000
	Re-measurement of the net defined benefit liability comprising:		
(5,173)	- Return on plan assets (excluding the amount included in the net interest expense)	30,366	-
(49,786)	- Actuarial gains and losses arising on changes in demographic assumptions	(9,440)	-
42,906	(98) Actuarial gains and losses arising on changes in financial assumptions	(77,810)	9,199
-	- Other movements in the liability / (asset)	(32,917)	-
(12,053)	(98) Total charged to Other Comprehensive Income and Expenditure Statement	(89,801)	9,199
24,352	(98) Total charged to the Comprehensive Income and Expenditure Statement	(52,185)	9,199

2018/19		2019/20	
Funded	Unfunded	Funded	Unfunded
£000	£000	£000	£000
Movement in Reserves Statement			
(36,405)	- Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(37,616)	-
	Actual amount charged against the general fund balance for pensions in the year:		
15,571	- Employers' contributions payable to scheme	14,837	-
-	833 Benefits paid direct to beneficiaries	-	840
(20,834)	833	(22,779)	840

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

2018/19			2019/20			
Funded	Unfunded	Total		Funded	Unfunded	Total
£000	£000	£000		£000	£000	£000
(856,428)	(10,292)	(866,720)	Present value of the defined obligation	(758,491)	(18,651)	(777,142)
412,373	-	412,373	Fair value of plan assets	381,458	-	381,458
(444,055)	(10,292)	(454,347)	Net (liability) / asset arising from the defined benefit obligation	(377,033)	(18,651)	(395,684)

iii. Reconciliation of the Present Value of the Scheme Liabilities

2018/19		Movements in the Fair Value of Scheme Liabilities	2019/20	
Funded	Unfunded		Funded	Unfunded
£000	£000		£000	£000
(831,307)	(11,223)	Opening balance at 1 April	(856,428)	(10,292)
(25,500)	-	- Current service cost	(23,656)	-
(21,239)	-	- Interest cost	(20,610)	-
(4,469)	-	- Contributions from scheme participants	(4,052)	-
	-	Re-measurement gains and losses:		
49,786	-	- Actuarial gains / (losses) from changes in demographic assumptions	9,440	-
(42,906)	98	- Actuarial gains / (losses) from changes in financial assumptions	77,810	(9,199)
-	-	- - Other	42,695	-
(179)	-	- Past service cost	(5,485)	-
18,007	833	Benefits / transfers paid	18,560	840
1,379	-	- Liabilities extinguished on settlements	3,235	-
(856,428)	(10,292)	Balance as at 31 March	(758,491)	(18,651)

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

2018/19		Movement in the Value of Scheme Assets	2019/20	
Funded	Unfunded		Funded	Unfunded
£000	£000		£000	£000
396,033		- Opening fair value of scheme assets	412,373	-
10,114		- Interest income	9,897	-
-	-	Re-measurement gain / (loss):		
5,173		- The return on plan assets, excluding the amount included in the net interest expense	(30,366)	-
-		- Other gains / (losses)	(9,778)	-
15,571	833	Contributions from employer	14,837	840
4,469		- Contributions from employees into the scheme	4,052	-
(18,007)	(833)	Benefits / transfers paid	(18,560)	(840)
(276)		- Administration expenses	(244)	-
(704)		- Assets Extinguished on Settlement	(753)	-
412,373		- Closing value of scheme assets	381,458	-

Basis for estimating assets and liabilities

Liabilities have been estimated on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and unfunded discretionary benefits liabilities have been valued by Barnett Waddingham, an independent firm of actuaries with estimates for the Berkshire Pension Fund being based on the latest full valuation as at 31 March 2020.

v. Principal Assumptions

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

2018/19			2019/20	
Years	Life expectancy assumptions		Years	
	Longevity at 65 for current pensioners			
22.0	Men		21.5	
24.0	Women		24.1	
	Longevity at 65 for future pensioners			
23.7	Men		22.9	
25.8	Women		25.5	
%	Financial assumptions		%	
3.4	RPI		2.7	
2.4	CPI		1.9	
2.4	Discount rate		2.4	
2.4	Pension increases		1.9	
3.9	Salary increases		2.9	

vi. Scheme Assets

2018/19		2019/20
£'000		£'000
221,471	Equities	210,198
56,899	Other Bonds	48,092
58,235	Property	55,671
33,926	Cash	38,525
19,772	Target Return Portfolio	16,737
3,205	Commodities	1,536
39,426	Infrastructure	33,918
(20,560)	Longevity insurance	(23,219)
412,374	Total	381,458

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

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

vii. Sensitivity Analysis

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

Impact on the defined benefit obligation

	Increase in assumption	Decrease in assumption
	£'000	£'000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(15,686)	16,024
Rate of increase in salaries (increase or decrease by 0.1%)	1,148	(1,140)
Rate of inflation (increase or decrease by 0.1%)	14,931	(14,631)
Longevity (increase or decrease by 1 year)	31,255	(29,974)

Asset and Liability Matching Strategy

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

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. As at the 2016 funding valuation, the Council's liabilities were 75% funded. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 23 years and this will shorten in future years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

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

viii. Estimate of contributions for 2020/21

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 are £14.9m (£15.0m in 2019/20).

Note 42 - Contingent Liabilities

Municipal Mutual Insurance (MMI)

The Council's previous insurer, Municipal Mutual Insurance (MMI), went into a solvent run-off in September 1992 and is subject to a contingent scheme of arrangement which became effective in January 1994. In November 2012 the Directors of the company resolved to trigger the Scheme of Arrangement as a solvent run-off could no longer be foreseen. Ernst and Young, the Scheme Administrator, imposed an initial levy of 15% in January 2014 under the terms of the scheme. A further levy of 10% was imposed by the Scheme Administrator in April 2016 and based on information currently held; the final aggregate levy may be up to 28%. The Council has sufficient resources in the Earmarked Insurance Reserve to cover any further anticipated levy.

Duty of Care Claims

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

Equal Pay

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

Contract Termination – Car Parks

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

Wholly-Owned Companies - Pension Liabilities

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

In 2018/19 the Council transferred a number of staff to the newly established Council subsidiary, Brighter Futures for Children Ltd. As part of the transfer agreement the Council has agreed that, where the company defaults on any obligations due under this agreement, the Council will, following receipt of written notice, make good any payments due. To date no such defaults have occurred or are anticipated.

Business Rates Appeals

The Council has estimated that its share of the total maximum exposure to Business Rate Payers' appeals is £15.633m. A provision of £5.030m has been made within the accounts as a prudent but realistic estimate of the level of these appeals that will actually materialise. The remaining £10.603m has therefore been included as a contingent liability.

Note 43 - Contingent Assets

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

The Council has a potential claim against two contractors in relation to the management and delivery of specific capital projects. Discussions and negotiations are ongoing but at this stage the outcome and level of any compensation payments are unable to be reliably quantified.

Housing Revenue Account Income and Expenditure Statement

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

31 March 2019		31 March 2020
£000		£000
Expenditure		
9,334	Repairs & Maintenance	9,939
8,652	Supervision & Management	10,062
259	Rents, Rates, Taxes and other charges	310
7,906	Depreciation, impairments and revaluation losses of non-current assets	16,970
65	Debt Management Costs	52
(30)	Other	(124)
26,186	Total Expenditure	37,209
Income		
(34,832)	Dwelling rents	(34,258)
-	Non-dwelling rents	(27)
(3,997)	PFI credit	(4,013)
(1,238)	Charges for services and facilities	(1,346)
(224)	Other	(166)
(40,291)	Total Income	(39,810)
(14,105)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(2,601)
406	HRA Services Share of Corporate & Democratic Core	304
(13,699)	Net Expenditure of HRA Services	(2,297)
(1,746)	(Gains)/loss on sale of HRA Fixed Assets	(1,673)
7,050	Interest Payable and Similar Charges	7,511
(205)	HRA Interest and Investment Income	(653)
744	Net interest on the defined benefit liability/asset	595
(7,856)	(Surplus) or Deficit for Year on HRA Services	3,483

Movement on the HRA Statement

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

31 March 2019 £000	Movement on the HRA Statement	31 March 2020 £000
(26,853)	Balance on the HRA at the end of the previous year	(33,547)
(7,856)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	3,483
855	Adjustments between accounting basis and funding basis under statute	(5,935)
(7,001)	Net (increase) or decrease before transfers to or from reserves	(2,452)
307	Transfer to/(from) reserves	162
(6,694)	(Increase) or decrease on the HRA for the year	(2,290)
(33,547)	Balance on the HRA at the end of the current year	(35,837)
(9,748)	Earmarked reserves – PFI smoothing reserve	(9,910)
(43,295)	Total HRA reserves	(45,747)

31 March 2019 £000	Adjustment between accounting basis	31 March 2020 £000
(7,277)	Transfers to/(from) the Capital Adjustment Account	(16,565)
1,746	Gain or (loss) on sale of non-current assets	1,673
(1,401)	Contributions to or (from) the Pension Reserve	(1,678)
(33)	Transfers to/(from) the Accumulated Absences Account	(19)
7,820	Transfers to/(from) Major Repairs Reserve	10,654
-	Capital expenditure funded by the HRA	-
855	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(5,935)

Notes to the HRA Account

Note 1 - Analysis of Council Housing Stock

At 31 March 2020, the Council was responsible for managing a housing stock of 6,823 dwellings, including 1,271 within the North Whitley PFI scheme (31 March 2019: 6,786 dwellings, 1,280 in the PFI scheme). These dwellings are of the following types:

31 March 2019		31 March 2020	
2,889	Flats	2,922	
3,897	Houses	3,901	
6,786	Total number of dwellings	6,823	

Note 2 – Housing Revenue Account Capital Expenditure

During 2019/20, the Council incurred £14.5m capital expenditure on land, houses and other properties within the HRA (2018/19: £9.0m). The detail of expenditure and the methods of financing are detailed below:

31 March 2019 £000		31 March 2020 £000
	Capital investment	
8,975	Operational assets	14,553
-	Revenue Expenditure funded from Capital under Statute	-
8,975	Total capital investment	14,553
	Sources of funding	
(1,103)	Borrowing	(1,036)
(469)	Capital Receipts	(3,463)
(7,403)	Major Repairs Reserve	(10,041)
-	Government grants and other contributions	(13)
-	Direct Revenue Financing	-
(8,975)	Total funding	(14,553)

Note 3 – Balance Sheet Value of HRA Operational Assets

31 March 2019			31 March 2020	
£000			£000	
491,429	Council Dwellings		474,863	
3,450	Other Land and Buildings		4,673	
13,227	Assets Under Construction		2,256	
828	Surplus Assets		772	
508,934	Total		482,564	

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

Dwellings are initially valued at open market value assuming vacant possession. The vacant possession value of the HRA tenanted dwellings was £1.439m at 31 March 2020 (£1.489m at 31 March 2019). The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA reflects that tenancies are held on a secure basis without vacant possession.

The Balance Sheet value is determined by applying the Government prescribed discount factor (the vacant possession discount factor) to the vacant possession value of the stock. The vacant possession discount factor was 33% (33% in 2018/19).

Note 4 – Depreciation and Impairment

31 March 2019			31 March 2020	
Depreciation £000	Impairment £000		Depreciation £000	Impairment £000
(7,820)	-	Council Dwellings	(10,588)	(6,175)
(243)	*159	Other Land and Buildings	(61)	(122)
(5)	3	Surplus Assets	(5)	(19)
(8,069)	162	Total	(10,654)	(6,316)

*impairment charge is an impairment reversal

Note 5 – Transactions relating to Retirement Benefits

31 March 2019		31 March 2020
£000		£000
675	Current Service Cost	902
13	Past Service Costs	305
(50)	(Gain)/loss from settlements	(138)
20	Administration expenses	14
743	Net interest expense	595
1,401	Total charged to Comprehensive Income and Expenditure Statement	1,678
1,401	Movement on Pension Reserve	1,678

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

Note 6 - Total Capital Receipts Generated during the year

31 March 2019		31 March 2020
£000		£000
(3,617)	Council Houses	(3,056)
-	Other Property	-
(3,617)	Total	(3,056)

During the year, the Council disposed of 18 dwellings to tenants under the Right to Buy scheme. These disposals, along with non-Right to buy sales (1), generated total capital receipts of £3.056m, of which £0.905 m was paid to Central Government as the Council's contribution to the Central Housing Pool. £5.123m of HRA capital receipts was held by the Council as at 31 March 2020 available to be used on replacement housing.

Note 7 – Rent Arrears and Bad Debt Provision

31 March 2019		31 March 2020
£000	Arrears by Tenant	£000
651	Current Tenants	759
345	Former Tenants	454
996	Total Arrears	1,213

The specific provision for the possible non-collection of all rent related charges at 31 March is £0.909m, which represents 75% of the total outstanding arrears. The calculation assesses the potential for future impairment based on an analysis of arrears with and without arrangements with current and former tenants. These are then further analysed on an age outstanding basis and provisions made on established percentages, relating to the age of debt outstanding.

Collection Fund

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

31 March 2019			31 March 2020			
Business Rates	Council Tax	Total	Collection Fund	Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
INCOME:						
	(101,087)	(101,087)	Council Tax Receivable		(106,821)	(106,821)
(134,285)		(134,285)	Business Rates Receivable	(140,140)		(140,140)
(1,263)	-	(1,263)	Transitional Protection Payments Receivable	(256)		(256)
(135,548)	(101,087)	(236,635)	Total amounts to be credited	(140,396)	(106,821)	(247,217)
EXPENDITURE:						
Apportionment of Previous Year Surplus/Deficit:						
4,680	-	4,680	Central Government	(1,780)	-	(1,780)
4,586	-	4,586	Reading Borough Council	-	173	173
94	-	94	Royal Berkshire Fire Authority	(18)	7	(11)
-	-	-	Thames Valley Police	-	20	20
Precepts, demands and shares:						
--	-	-	Central Government	33,460	-	33,460
128,700	86,663	215,363	Reading Borough Council	99,041	90,936	189,977
1,300	3,530	4,830	Royal Berkshire Fire Authority	1,338	3,704	5,042
-	9,998	9,998	Thames Valley Police	-	11,528	11,528
Charges to Collection Fund:						
-	(466)	(466)	Write-offs of uncollectable amounts	-	-	-
(216)	1,500	1,284	Increase/(decrease) in allowance for impairment	1,558	914	2,472
(5,539)		(5,539)	Increase/(decrease) in allowance for appeals	387	-	387
-		-	Transitional Protection Payments Payable	-		-
282		282	Charge to General Fund for allowable collection costs for non-domestic rates	286		286
133,887	101,225	235,112	Total amounts to be debited	134,272	107,282	241,554
(1,661)	138	(1,523)	(Surplus)/Deficit arising during the year	(6,124)	461	(5,663)
(5,800)	(205)	(6,005)	(Surplus)/Deficit on the Collection Fund at 1 April	(7,461)	(67)	(7,528)
(7,461)	(67)	(7,528)	(Surplus)/Deficit on the Collection Fund at 31 March	(13,585)	394	(13,191)

(Surplus)/Deficit on the Collection Fund

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

31 March 2019			31 March 2020		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000
1,780	-	1,780	(1,081)	-	(1,081)
(9,166)	(56)	(9,222)	(12,368)	338	(12,030)
(75)	(2)	(77)	(136)	13	(123)
-	(9)	(9)	-	43	43
(7,461)	(67)	(7,528)	(13,585)	394	(13,191)

Notes to the Collection Fund

Business Rates

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

2018/19	Non-domestic rateable value and multipliers	2019/20
£317,273,358	Non-domestic rateable value at 31 March	£318,506,887
49.3p	Business rate multiplier - standard rate	50.4p
48.0p	Business rate multiplier - small businesses	49.1p

Council Tax

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

2018/19		Calculated no of chargeable dwellings	Ratio to band D	Equated No of dwellings
Band	Valuation band limits £	No		No
AA	Band A entitled to disabled relief reduction	2	5/9	1
A	Upto and including - 40,000	4,104	6/9	2,736
B	40,001 - 52,000	10,362	7/9	8,059
C	52,001 - 68,000	23,396	8/9	20,796
D	68,001 - 88,000	9,211	9/9	9,211
E	88,001 - 120,000	4,939	11/9	6,037
F	120,001 - 160,000	3,033	13/9	4,381
G	160,001 - 320,000	1,746	15/9	2,910
H	More than - 320,001	62	18/9	124
		56,855		54,255
Adjustments for estimates of new build & non-collection				595
		Council tax base		54,850

2019/20

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of
		no of dwellings No		dwellings No
AA	Band A entitled to disabled relief reduction	2	5/9	1
A	Upto and including - 40,000	4,328	6/9	2,885
B	40,001 - 52,000	10,633	7/9	8,270
C	52,001 - 68,000	23,959	8/9	21,297
D	68,001 - 88,000	9,336	9/9	9,336
E	88,001 - 120,000	5,042	11/9	6,163
F	120,001 - 160,000	3,044	13/9	4,397
G	160,001 - 320,000	1,754	15/9	2,923
H	More than - 320,001	64	18/9	128
		58,162		55,400
Adjustments for estimates of new build & non-collection				484
		Council tax base		55,884

Group Accounts

Introduction

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

- Reading Transport Limited (RTL);
- Homes for Reading (HfR);
- Brighter Futures for Children (BFfC)
- Reading Economic Development Company Limited (REDCo);
- Acre Road Industrial Estate Limited (ARIEL); and
- Queens Road Car Park Limited (QRCL)

In addition to the above companies:

- the Council has a 49% interest in the Reading-Hampshire Property Partnership (RHPP). This is a joint venture arrangement and has been consolidated in the Group Accounts on the equity basis. This basis only consolidates the Council's share of the net assets of RHPP at 31 March 2020 which equated to £490 (£490 at 31 March 2019).
- RTL has two wholly owned subsidiaries, Newbury and District Limited (N&D), and Courtney Buses Limited (now Thames Valley Buses Limited), which have been consolidated into the Council's Group Accounts since they were acquired by RTL on 13 September 2018 and 1 May 2019 respectively.

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

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

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

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

Financial Performance

The activities and performance of each of the subsidiaries and the RHPP joint venture during the year 2019/20 is set out below:

- RTL: As at 31 March 2020, net assets for the sub-group including N&D and Courtney Buses Limited (now Thames Valley Buses Limited) were £6.5m (net assets were £2.8m at 31 March 2019)
- HfR: As at 31 March 2020, net assets were £2.1m (£9.2m at 31 March 2019)
- BFfC: As at 31 March 2020, net liabilities were £0.2m (£0.17m at 31 March 2019)
- REDCO: The group's net assets were £nil (as at 31 March 2019 £nil); in 2019/20 and 2018/19 the company broke even
- RHPP: At 31 March 2020 and 31 March 2019 net assets were £1,000

The Council has assessed that the following companies are material to the Council's Balance Sheet:

- Reading Transport Ltd, and its wholly-owned subsidiaries N&D Limited and Courtney Buses Limited (now Thames Valley Buses Limited)
- Homes for Reading Ltd; and
- Brighter Futures for Children.

The Council has therefore consolidated the above subsidiaries into these Group Financial Statements.

Group Financial Statements

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

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

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

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

The **Group Cashflow Statement**, which consolidates the cashflow statements for the Council, HfR, BFfC and the RTL sub-group only, as REDCo has no cashflows, and RHPP is not material.

Group Accounting Policies

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

Basis of accounts production

The group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

As required by Chapter 9 of the Code, the Council has consolidated the above subsidiaries on a line by line basis. Intra -group transactions have been eliminated before consolidation on a line by line basis, and the accounts of the subsidiaries have been restated where they use different accounting policies to the Council, as required by the Code.

Critical Judgements in Applying Group Accounting Policies

Group accounts have been prepared using the following financial information:

Reading Borough Council	Audited financial statements for 2018/19 and unaudited financial statements for 2019/20
HfR	Audited financial statements for 2019/20 and prior years
BFFC	Audited financial statements for 2019/20 and prior years
RTL sub-group including N&D limited and Courtney Buses Limited (now Thames Valley Buses Limited)	Unaudited consolidated management accounts for the 12 month periods ended 31 March 2019 and 31 March 2020.*

* In the Council's opinion, this represents the best information available as RTL have not yet filed audited financial statements for the 18-month period ended 31 March 2020.

Group Comprehensive Income and Expenditure Statement

Expenditure	2018/19			2019/20		Net
	Income	Net		Expenditure	Income	
£000	£000	£000		£000	£000	£000
68,014	(27,840)	40,174	Adult Care and Health Services	69,787	(28,899)	40,888
94,309	(79,795)	14,514	Corporate Support Services	87,233	(72,891)	14,342
138,935	(95,816)	43,119	Children, Education and Early Help Services	199,278	(137,053)	62,225
39,059	(34,426)	4,633	Transport Services	50,485	(45,590)	4,895
97,826	(45,713)	52,113	Economic Growth and Neighbourhood Services	106,164	(51,296)	54,868
855	(555)	300	Housing Services	497	(1,280)	(783)
26,592	(40,292)	(13,700)	Housing Revenue Account	37,520	(39,817)	(2,297)
465,590	(324,437)	141,153	Cost of Services	550,964	(376,826)	174,138
		(580)	Other Operating Expenditure			(2,018)
		22,723	Financing and Investment Income and Expenditure			25,511
		(186,638)	Taxation and Non Specific Grant Income			(181,946)
		59	Corporation Tax payable			107
		(23,283)	Group (Surplus) or Deficit on Provision of Services			15,792
		64	(Surplus)/loss on revaluation of investments			-
		(3,428)	(Surplus)/loss on revaluation of non-current assets			16,916
		(15,228)	Remeasurement of pension fund liabilities			(88,849)
		(18,592)	Other Comprehensive Income and Expenditure			(71,933)
		(41,875)	Total Comprehensive Income and Expenditure			(56,141)

Group Movement in Reserves Statement 2019/20

	General Fund £000	General Fund Ear- marked Reserves £000	Total General Fund Reserves £000	Housing Revenue Account (HRA) £000	HRA Ear- marked Reserves £000	Total HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Council's share of sub- sidiaries Reserves £000	Total Group Reserves £000
Balance 31 March 2019	(7,500)	(43,848)	(51,348)	(33,547)	(9,748)	(43,295)	(8,632)	(1,987)	(50,078)	(155,340)	(131,515)	(286,855)	1,869	(284,986)
Movements in 2019/20														
(Surplus)/deficit on the provision of services	(30,522)		(30,522)	3,483		3,483				(27,039)	(1,126)	(28,165)	43,957	15,792
Other comprehensive income /expenditure											(63,686)	(63,686)	(8,247)	(71,933)
Total Comprehensive income/expenditure	(30,522)		(30,522)	3,483		3,483				(27,039)	(64,812)	(91,851)	35,710	(56,141)
Adjustments between Group accounts and authority accounts	37,247		37,247			37,247				37,247	1,126	38,373	(28,179)	10,194
Net (increase)/decrease	6,725		6,725	3,483		3,483				10,208	(63,686)	(53,478)	7,531	(45,947)
Adjustments between funding and accounting	(15,518)		(15,518)	(5,935)		(5,935)	(2,717)	(613)	(8,588)	(33,371)	33,371	-	-	-
Net increase/decrease before transfers to/from reserves	(8,793)		(8,793)	(2,452)		(2,452)	(2,717)	(613)	(8,588)	(23,163)	(30,315)	(53,478)	7,531	(45,947)
Transfers to/from reserves	8,793	(8,793)	-	162	(162)	-				-	-	-	-	-
Net (increase)/decrease for year	-	(8,793)	(8,793)	(2,290)	(162)	(2,452)	(2,717)	(613)	(8,588)	(23,163)	(30,315)	(53,478)	7,531	(45,947)
Balance 31 March 2020	(7,500)	(52,641)	(60,141)	(35,837)	(9,910)	(45,747)	(11,349)	(2,600)	(58,666)	(178,503)	(161,830)	(340,333)	9,400	(330,933)

Group Movement in Reserves Statement 2018/19

	General Fund £000	General Fund Earmarked Reserves £000	Total General Fund Reserves £000	Housing Revenue Account (HRA) £000	HRA Earmarked Reserves £000	Total HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Council's share of subsidiaries Reserves £000	Total Group Reserves £000
Balance 31 March 2018	(7,000)	(24,417)	(31,417)	(26,853)	(9,441)	(36,294)	(23,473)	(1,327)	(37,660)	(130,171)	(122,795)	(252,966)	6,774	(246,192)
Opening balance adjustment										-	4,501	4,501	(1,420)	3,081
Balance as at 31 March 2018 Restated	(7,000)	(24,417)	(31,417)	(26,853)	(9,441)	(36,294)	(23,473)	(1,327)	(37,660)	(130,171)	(118,294)	(248,465)	5,354	(243,111)
Movements in 2018/19														
Surplus/deficit on the provision of services	(41,832)		(41,832)	(7,856)		(7,856)				(49,688)		(49,688)	26,405	(23,283)
Other comprehensive income /expenditure										-	(15,515)	(15,515)	(3,077)	(18,592)
Total Comprehensive income/expenditure	(41,832)	-	(41,832)	(7,856)	-	(7,856)	-	-	-	(49,688)	(15,515)	(65,203)	23,328	(41,875)
Adjustments between Group accounts and authority accounts	31,314		31,314			-				31,314	(4,501)	26,813	(26,813)	-
Net (increase)/ decrease	(10,518)	-	(10,518)	(7,856)	-	(7,856)	-	-	-	(18,374)	(20,016)	(38,390)	(3,485)	(41,875)
Adjustments between funding and accounting	(9,645)		(9,645)	855		855	14,841	(660)	(12,418)	(7,027)	7,027	-	-	-
Net increase/decrease before transfers to/from reserves	(20,163)	-	(20,163)	(7,001)	-	(7,001)	14,841	(660)	(12,418)	(25,401)	(12,989)	(38,390)	(3,485)	(41,875)
Transfers to/from reserves	19,663	(19,431)	232	307	(307)	-				232	(232)	-		-
Net (increase)/ decrease for year	(500)	(19,431)	(19,931)	(6,694)	(307)	(7,001)	14,841	(660)	(12,418)	(25,169)	(13,221)	(38,390)	(3,485)	(41,875)
Balance 31 March 2019	(7,500)	(43,848)	(51,348)	(33,547)	(9,748)	(43,295)	(8,632)	(1,987)	(50,078)	(155,340)	(131,515)	(286,855)	1,869	(284,986)

Group Balance Sheet

31 March 2019		Note	31 March 2020
£000			£000
1,071,835	Property, Plant and Equipment	1	1,051,623
2,691	Heritage Assets		2,768
71,043	Investment Property	2	106,745
1,654	Intangible Assets		2,456
15,517	Long-Term Investments		10,381
554	Long-Term Debtors		472
1,163,294	Long Term Assets		1,174,445
63,733	Short-Term Debtors	3	56,994
44,150	Cash and Cash Equivalents		48,627
716	Inventories		753
108,599	Current Assets		106,374
(47,908)	Short-Term Borrowing		(3,137)
(69,031)	Short-Term Creditors	4	(87,612)
(9,871)	Short-Term Provisions		(9,188)
(989)	Short-term PFI liability	6	(974)
(815)	Deferred Income		(1,232)
(2,007)	Grants Receipts in Advance - Capital		-
(130,621)	Current Liabilities		(102,143)
(1,451)	Long-Term Provisions		(2,090)
(348,960)	Long-Term Borrowing		(401,559)
(466,702)	Liability relating to defined benefit pension scheme	5	(401,635)
(39,173)	Other Long-Term Liabilities	6	(42,459)
(856,286)	Long Term Liabilities		(847,743)
284,986	Net Assets		330,933
(148,970)	Usable Reserves		(166,611)
(136,016)	Unusable Reserves		(164,322)
(284,986)	Total Reserves		(330,933)

Group Cash Flow Statement

2018/19		Note	2019/20
£000			£000
(23,283)	Net (surplus) or deficit on the provision of services		15,972
(59,445)	Adjustment to surplus or deficit on the provision of services for non-cash movements	7	(115,183)
24,724	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	7	37,615
(58,004)	Net cash flows from operating activities		(61,596)
51,966	Net cash flows from investing activities	7	60,870
(4,575)	Net cash flows from financing activities	7	(3,751)
(10,613)	Net (increase) or decrease in cash and cash equivalents		(4,477)
33,537	Cash and cash equivalents at the beginning of the reporting period		44,150
44,150	Cash and cash equivalents at the end of the reporting period		48,627

Notes to the Group Accounts

Note 1 - Property, Plant and Equipment

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

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

Other land and buildings with a value greater than £100,000 have been revalued at 31 March 2020 by the external valuer Sanderson Weatherall LLP, undertaken under the direction of Ian Vivian, MRICS. Surplus assets and Investment properties are valued annually at 31 March.

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

Property, Plant and Equipment 2019/20

	Council dwellings	Other land and buildings	Vehicles, furniture, plant and equipment	Infra-structure	Community assets	Surplus assets	Assets under construction	Group PPE Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation 2019/20								
at 1 April 2019	491,430	359,400	72,839	294,684	8,550	28,763	26,970	1,282,636
Additions	11,943	11,166	9,441	4,259	143	252	12,534	49,738
Revaluation adjustments recognised in the Revaluation Reserve	(22,241)	2,707	-	-	-	2,611	-	(16,923)
Derecognition and disposals	(1,400)	(571)	(814)	-	-	(1,050)	-	(3,835)
Reclassifications and transfers	11,850	1,986	-	4,747	-	(867)	(17,716)	-
Other movements in cost or valuation	(16,719)	(8,544)	31	-	-	223	-	(25,009)
At 31 March 2020	474,863	366,144	81,497	303,690	8,693	29,932	21,788	1,286,607
Accumulated depreciation and impairment								
at 1 April 2019	-	(10,386)	(37,185)	(160,697)	(1,937)	-	(596)	(210,801)
Depreciation charge for year	(10,588)	(12,355)	(4,976)	(12,698)	(30)	(17)	-	(40,664)
Impairments recognised in the provision of services	(6,175)	(3,402)	-	-	-	257	(62)	(9,382)
Derecognition and disposals	30	30	763	-	-	-	-	823
Reclassifications and transfers	14	37	-	-	-	(17)	(34)	-
Other movements in depreciation and impairment	16,719	8,544	-	-	-	(223)	-	25,040
At 31 March 2020	-	(17,352)	(41,398)	(173,395)	(1,967)	-	(692)	(234,984)
Net book value 31 3 2019	491,430	349,014	35,654	133,987	6,613	28,763	26,374	1,071,835
Net book value 31 3 2020	474,863	348,612	40,099	130,295	6,726	29,932	21,096	1,051,623

Property, Plant and Equipment 2018/19

	Council dwellings	Other land and buildings	Vehicles, furniture, plant and equipment	Infra-structure	Community assets	Surplus assets	Assets under construction	Group PPE Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation 2018/19								
at 1 April 2018	496,576	395,402	69,530	286,240	12,644	28,292	14,703	1,303,592
Adjustments to cost/value & depreciation/impairment	-	(50,815)	-	-	-	-	-	(50,815)
Additions	8,975	8,177	5,251	5,321	123	563	12,535	40,945
Revaluation adjustments recognised in the Revaluation Reserve	(5,964)	9,237	-	-	-	139	-	3,412
Derecognition and disposals	(1,870)	(1,188)	(982)	-	-	-	-	(4,040)
Reclassifications and transfers	1,533	(994)	(722)	3,123	(4,142)	1,454	(268)	(16)
Other movements in cost or valuation	(7,820)	(624)	(238)	-	(75)	(1,685)	-	(10,442)
At 31 March 2019	491,430	359,400	72,839	294,684	8,550	28,763	26,970	1,282,636
Accumulated depreciation and impairment								
at 1 April 2018	-	(59,475)	(34,383)	(146,376)	(75)	-	-	(240,309)
Adjustments to cost/value & depreciation/impairment	-	50,815	-	-	-	-	-	50,815
Depreciation charge for year	(7,820)	(9,466)	(4,111)	(15,948)	(231)	(95)	-	(37,671)
Impairments recognised in the provision of services	-	6,773	-	1,627	(1,706)	(1,450)	(596)	4,648
Derecognition and disposals	-	203	876	-	-	-	-	1,079
Reclassifications and transfers	-	140	-	-	-	(140)	-	-
Other movements in depreciation and impairment	7,820	624	433	-	75	1,685	-	10,637
At 31 March 2019	-	(10,386)	(37,185)	(160,697)	(1,937)	-	(596)	(210,801)
Net book value 31 3 2018	496,576	336,132	35,147	139,864	12,569	28,292	14,703	1,063,283
Net book value 31 3 2019	491,430	349,014	35,654	133,987	6,613	28,763	26,374	1,071,835

Note 2 – Investment Property

The tables below summarise the movement in the fair value of investment properties over the year, together with the income and expenditure relating to these properties which has been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Value of Investment Properties

	RBC £000s	HfR £000s	Total £000s
At 1 4 2018	43,444	5,861	49,305
Additions	31	23,414	23,445
Disposals		(173)	(173)
Reclassifications and transfers			-
Net gains and losses from fair value adjustments	278	(1,812)	(1,534)
At 31 3 2019	43,753	27,290	71,043
At 1 4 2019	43,753	27,290	71,043
Additions	39,940	462	40,402
Disposals			
Reclassifications and transfers			
Net gains and losses from fair value adjustments	(4,633)	(67)	(4,700)
At 31 3 2020	79,060	27,685	106,745

Investment Property - income and expenditure

	RBC £000s	HfR £000s	Total £000s
2018/19			
Rental income	(3,207)	(555)	(3,762)
Direct operating costs	206	516	722
Net gain or loss	(3,001)	(39)	(3,040)
2019/20			
Rental income	(5,414)	(1,280)	(6,694)
Direct operating costs	325	1,407	1,732
Net gain or loss	(5,089)	127	(4,962)

Note 3 – Debtors

Debtors due within one year

2018/19 Group Total £000s		2019/20 Group Total £000s
10,764	Central government bodies	5,626
8,214	Other local authorities	1,356
308	NHS bodies	498
44,447	Other entities and individuals	49,514
63,733	Total	56,994

Note 4 - Creditors

Creditors due within one year

2018/19 Group Total £000s		2019/20 Group Total £000s
(7,713)	Central government bodies	(6,275)
(3,416)	Other local authorities	(7,426)
(506)	NHS bodies	(80)
(57,396)	Other entities and individuals	(73,831)
(69,031)	Total	(87,612)

Note 5 – Pensions Cost

RTL operates two defined benefit pension schemes for employees:

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

The funds are valued every three years by independent qualified actuaries, who use this information to determine employer contribution rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from the employees' services. Variations in the pension cost are spread over the expected service lives on current employees.

RTL also operates a defined contribution pension scheme for the benefit of employees who joined the company after April 2010. No other retirement benefits are provided to RTL employees.

Pension costs for BFfC employees are accounted for as part of Reading Borough Council's single entity financial statements, under the terms of a guarantee by the Council to cover all pension deficits and funding liabilities.

Transactions relating to post-employment benefits

i. Impact on Comprehensive Income & Expenditure Account

	RBC £000	Subsidiaries £000	Group Total £000
2019/20			
Pension transactions charged or credited to Surplus or Deficit on Provision of Services	37,616	1,843	39,459
Pension transactions charged or credited to Other Comprehensive Income and Expenditure	(80,602)	(8,247)	(88,849)
2018/19			
Pension transactions charged or credited to Surplus or Deficit on Provision of Services	36,405	1,594	37,999
Pension transactions charged or credited to Other Comprehensive Income and Expenditure	(12,151)	(3,077)	(15,228)

ii. Value of pension scheme assets and liabilities at the balance sheet date

	RBC £000	RTL £000	Group Total £000
2019/20			
Present value of defined pension scheme obligations	(777,142)	(88,433)	(865,575)
Fair Value of plan assets	381,458	82,482	463,940
Net assets/liabilities arising from defined pension scheme obligations	(395,684)	(5,951)	(401,635)
2018/19			
Present value of defined pension scheme obligations	(866,720)	(91,588)	(958,308)
Fair Value of plan assets	412,373	79,233	491,606
Net assets/liabilities arising from defined pension scheme obligations	(454,347)	(12,355)	(466,702)

	RBC £000s	RTL £000s	Group Total £000s
2019/20			
at 1 April	(866,720)	(91,588)	(958,308)
Current service cost	(23,656)	(1,181)	(24,837)
Interest cost	(20,610)	(2,271)	(22,881)
Employee and Employer contributions	(4,052)	(63)	(4,115)
Remeasurement gains and losses	120,746	4,509	125,255
Past service costs	(5,485)	2,837	(2,648)
Benefits paid	19,400	(528)	18,872
Curtailments and settlements	3,235	(148)	3,087
at 31 March 2020	(777,142)	(88,433)	(865,575)
2018/19			
at 1 April	(842,530)	(91,806)	(934,336)
Current service cost	(25,500)	(221)	(25,721)
Interest cost	(21,239)	(832)	(22,071)
Employee and Employer contributions	(4,469)	(1,236)	(5,705)
Remeasurement gains and losses	6,978	(48)	6,930
Past service costs	(179)	-	(179)
Benefits paid	18,840	2,555	21,395
Curtailments and settlements	1,379	-	1,379
at 31 March 2019	(866,720)	(91,588)	(958,308)

iii.Reconciliation of the movement on scheme assets during the financial year

	RBC £000s	RTL £000s	Group Total £000s
2019/20			
Assets at 1 April	412,373	79,233	491,606
Return on plan assets	(20,469)	3,524	(16,945)
Actuarial gains and losses	(9,778)	96	(9,682)
Admin costs	(244)	(5)	(249)
Employee and Employer contributions	19,729	1,158	20,887
Benefits paid	(19,400)	(1,524)	(20,924)
Curtailments and settlements	(753)	-	(753)
Assets at 31 March	381,458	82,482	463,940
2018/19			
Assets at 1 April	396,033	74,116	470,149
Return on plan assets	10,114	5,797	15,911
Actuarial gains and losses	5,173	-	5,173
Admin costs	(276)	(9)	(285)
Employee and Employer contributions	20,040	708	20,748
Benefits paid	(18,007)	(1,379)	(19,386)
Curtailments and settlements	(704)	-	(704)
Assets at 31 March	412,373	79,233	491,606

iv. Analysis of Scheme Assets

	RBC £000s	RTL £000s	Group Total £000s
2019/20			
Equities	210,198	22,221	232,419
Bonds	48,092	1,289	49,381
Property	55,671	6,434	62,105
Cash	38,525	36,455	74,980
Diversified Growth Funds	-	14,881	14,881
Target Return Portfolio	16,737	583	17,320
Commodities	1,536	82	1,618
Infrastructure	33,918	1,135	35,053
Insurance policies	(23,219)	(598)	(23,817)
Total	381,458	82,482	463,940
2018/19			
Equities	221,471	23,316	244,787
Bonds	56,899	2,326	59,225
Property	58,235	6,535	64,770
Cash	33,926	34,314	68,240
Diversified Growth Funds	-	10,818	10,818
Target Return Portfolio	19,772	806	20,578
Commodities	3,205	118	3,323
Infrastructure	39,426	1,460	40,886
Insurance policies	(20,561)	(460)	(21,021)
Total	412,373	79,233	491,606

v. Principal Assumptions

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

	RBC	RTL
Discount rate	2.4%	2.1%
Future salary increases	2.9%	2.0%
Future pension increases	1.9%	2.0%

Note 6 – Other Long-Term Liabilities

Other long-term liabilities and short term PFI liabilities

	RBC £000s	RTL £000s	Group Total £000s
2019/20			
RBC - North Whitley PFI scheme	(19,467)		(19,467)
RBC - Waste PFI scheme	(5,485)		(5,485)
RTL - Finance lease and HP contracts		(15,737)	(15,737)
Accruals and deferred income	(1,292)		(1,292)
Total	(26,244)	(15,737)	(41,981)
2018/19			
RBC - North Whitley PFI scheme	(19,872)		(19,872)
RBC - Waste PFI scheme	(5,953)		(5,953)
RTL - Finance lease and HP contracts		(12,929)	(12,929)
Accruals and deferred income* (updated to the same basis as 2019/20 figures for consistency)	(1,407)*		(1,407)*
Total	(27,232)	(12,929)	(40,161)

Timing of obligations due under PFI and leasing arrangements including deferred income

	RBC £000s	RTL £000s	Group Total £000s
2019/20			
within 1 year	(974)	(4,635)	(5,609)
within 2-5 years	(4,791)	(7,635)	(12,426)
within 6-10 years	(9,308)	(3,467)	(12,775)
within 11-15 years	(11,171)	-	(11,171)
Total	(26,244)	(15,737)	(41,981)
2018/19			
within 1 year	(989)*	(1,977)	(2,966)
within 2-5 years	(4,401)*	(7,661)	(12,062)
within 6-10 years	(8,097)*	(3,291)	(11,388)
within 11-15 years	(13,438)*		(13,438)
within 16 -20 years	(307)*		(307)
Total	(27,232)*	(12,929)	(40,161)

*Values updated to be consistent with 2019/20 figures.

Note 7 - Cash Flow from Operating Activities

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

31 March 2019 £000		31 March 2020 £000
(33,088)	Depreciation, impairment and revaluations	(67,189)
(864)	Amortisation	(581)
924	(Increase)/decrease in creditors	(18,581)
(15,519)	Increase/(decrease) in debtors	(6,739)
119	Increase/(decrease) in inventories	37
(20,177)	Movement in pension liability	(23,784)
(3,011)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,013)
12,171	Other non-cash movements charged to the surplus or deficit on provision of services	4,667
(59,445)	Total	(115,183)

31 March 2019 £000		31 March 2020 £000
5,093	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,987
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	7,000
19,631	Any other items for which the cash effects are investing or financing cash flows	24,628
24,724	Total	37,615

Note 7a - Cash Flow from Investing Activities

31 March 2019 £000		31 March 2020 £000
64,133	Purchase of property, plant and equipment, investment property and intangible assets	92,518
-	Purchase of short-term and long-term investments	-
14,271	Other payments for investing activities	12,348
(952)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12,275)
(25,486)	Other receipts from investing activities	(31,721)
51,966	Net cash flows from investing activities	60,870

Note 7b - Cash Flow from Financing Activities

31 March 2019 £000		31 March 2020 £000
(191,050)	Cash receipts of short-term and long-term borrowing	(100,037)
927	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	995
174,632	Repayments of short-term and long-term borrowing	92,443
10,916	Other payments for financing activities	2,848
(4,575)	Net cash flows from financing activities	(3,751)

Glossary

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CLAW-BACK

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

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

REVENUE SUPPORT GRANT

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

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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